ROYAL COMMISSION ON TRANSPORTATION

SUMMARY
of
TRANSCRIPT OF EVIDENCE

Jun 1/49 - Dec. 16/49.

Trafalgar Building,
Ottawa, Ontario,
August 24, 1949.

Dear Sir,

I am attaching hereto list of Exhibits filed during the regional sittings of the Royal Commission on Transportation up to and including the Toronto sittings.

Very truly yours,

Paul L. Belcourt

Paul L. Belcourt,
Assistant Secretary.

PLB/MMc
Enc.

Treasury Building,
Ottawa, Ontario,
August 24, 1949.

Dear Sir,

I am attaching hereto like as Exhibits filed during the regional sittings of the Royal Commission on Transportation up to and including the Toronto sittings.

Very truly yours,

Paul E. Belcourt,
Assistant Secretary.

ROYAL COMMISSION ON TRANSPORTATION

EXHIBITS

Exhibit No.	Volume Nol	Place Filed	Description	Date Filed	Filed by
1	1	Ottawa	Certified copy of Commission appointing the Honourable W.F.A. Turgeon et al.	May 2/49	Mr. G. R. Hunter
2	1	Ottawa	Certified copy of P. C. 6033, dated December 29, 1948.	May 2/49	Mr. G. R. Hunter
3	1	Ottawa su	Certified copy of P. C. 959, dated March 1, 1949, amending P.C. 6033 by substituting the word "Commission" for the word "Board".	May 2/49	Mr. G. R. Hunter
4	3	Winnipeg	Copy of radio address by P. C. Armstrong, C.P.R., dated Feb. 14/49.	June 2/49	Mr. J. T. McLean, Man. Federation of Agriculture.
5	4	Winnipeg	Copy of Judgment of Board of Transport Commissioners for Canada, dated April 1, 1949, re McColl-Frontenac.	June 3/49	Mr. H. E. O'Donnell, K. C., Counsel C.N.R.
6	5	Regina	Budget speech by Honourable F. M. Fines, Provincial Treasurer for Saskatchewan, delivered on March 2, 1949.	June 7/49	Mr. H. E. O'Donnell.
7	5	Regina	Forty-third Annual Report of the Department of Agriculture, Province of Saskatchewan, for the year ended March 31, 1948.	June 7/49	Mr. H. E. O'Donnell.
8	5	Regina	Copy of Annual Report of the Department of Natural Resources & Industrial Development, Province of Saskatchewan, for the year ended March 31, 1948.	June 7/49	Mr. H. E. O'Donnell.
9	6	Regina	Map showing C.N.R. & C.P.R. railway lines in Western Canada.	June 8/49	Mr. I. D. Sinclair, Counsel for C.P.R.
10	6	Regina	Brief to Royal Commission on Transportation, dated April 13, 1949, from Regina Chamber of Commerce, Saskatoon Board of Trade and Saskatchewan Associated Boards of Trade and copy of submission in the General Freight Rates investigation 1948, dated June 12, 1948, by Regina Chamber of Commerce and Saskatoon Board of Trade.	June 8/49	Mr. E. F. Whitmore, Counsel for the Boards of Trade.

ROYAL COMMISSION ON TRANSPORTATION

EXHIBITS

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
1	1	Ottawa	Certified copy of Commission appointing the Honourable W.F.A. Turgeon et al.	May 2/49	Mr. G. R. Hunter
2	1	Ottawa	Certified copy of P. C. 6033, dated December 29, 1948.	May 2/49	Mr. G. R. Hunter
3	1	Ottawa	Certified copy of P. C. 959, dated March 1, 1949, amending P.C. 6033 by substituting the word "Commission" for the word "Board".	May 2/49	Mr. G. R. Hunter
4	3	Limoges	Copy of radio address by P.C. Armstrong, C.P.R., dated Feb. 14/49.	June 2/49	Mr. J. T. Clear, Can. Federation of Agriculture.
5	4	Limoges	Copy of judgment of Board of Transport Commissioners for Canada, dated April 2, 1949, re Lacolle-Frontenac.	June 3/49	Mr. H. E. O'Donnell, K.C., Counsel C.N.R.
6	5	Regina	Budget speech by Honourable M. J. Fines, Provincial Treasurer for Saskatchewan, delivered on March 2, 1949.	June 7/49	Mr. H. E. O'Donnell.
7	5	Regina	Forty-third Annual Report of the Department of Agriculture, Province of Saskatchewan, for the year ended March 31, 1948.	June 7/49	Mr. H. E. O'Donnell.
8	5	Regina	Copy of Annual Report of the Department of Natural Resources & Industrial Development, Province of Saskatchewan, for the year ended March 31, 1948.	June 7/49	Mr. H. E. O'Donnell.
9	6	Regina	Map showing C.N.R. & C.P.R. railway lines in Western Canada.	June 8/49	Mr. T. M. Shinkin, Counsel for C.P.R.
10	6	Regina	Brief to Royal Commission on Transportation, dated April 13, 1949, from Regina Chamber of Commerce, Saskatoon Board of Trade and Saskatchewan Associated Boards of Trade and copy of submission in the General Freight Rates Investigation 1948, dated June 18, 1948, by Regina Chamber of Commerce and Saskatoon Board of Trade.	June	Mr. E. M. Whitmore, Counsel for the Board of Trade.

Exhibit No.	Volume No.	Place Filed	Description	Date filed	Filed by
11	6	Regina	Official highway Map of the Province of Saskatchewan for the year 1949.	June 8/49	Mr.I. D. Sinclair,C.P.R.
12	7	Regina	Chart showing crop district numbers filed on behalf of Saskatchewan Co-operative Producers Limited	June 9/49	Mr. M. A. MacPherson, K.C., Counsel for Sask. Co-operative Producers Limited.
13A	7	Regina	Re Hudson Bay Route Association freight charges on traffic ex "North Anglia" discharged in August & September, 1948, at Churchill, Manitoba.	June 9/49	Mr. M. A. MacPherson, K. C., Counsel for Hudson Bay Route Ass'n.
13B	7	Regina	Booklet - Imports via Hudson Bay Route, 1948	June 9/49	Mr. M. A. MacPherson,K.C.
13C	7	Regina	Copy of proposed C.N.R. extensions and copy of letter, dated May 18, 1949, to Mr. R.H. McNeill from Mr. William Moore; Notes on railway agreements with the Province of Manitoba, 1901-04; Map showing proposed feeder and connecting lines on Hudson Bay Route	June 9/49	Mr. M. A. MacPherson,K.C.
13D	7	Regina	Hudson Bay Railway consolidated income account, fiscal years 1948-9 and 1947-8, and statement showing cost of moving wheat from Saskatoon, Sask., to the United Kingdom, via Churchill.	June 9/49	Mr. M. A.MacPherson,K.C.
13E	7	Regina	Hull insurance rates on the Hudson Bay Route	June 9/49	Mr. M. A. MacPherson,K.C.
13F	7	Regina	Hudson Bay Route Association submission, Nelson River Colonization Project	June 9/49	Mr. M.A. MacPherson,K.C.
14	7	Regina	Copy of P. C. 3340, dated July 22, 1948, entrusting management of Hudson Bay Railway to Canadian National Railway Company.	June 9/49	Mr. M.A. MacPherson,K.C.
15	7	Regina	Copy of submission of United Farmers of Canada (Saskatchewan Section) to the Board of Transport Commissioners for Canada, dated June 9, 1947.	June 9/49	Mr. M.A. MacPherson,K.C. Counsel for U.F.C.
16	8	Regina	Decision of Milk Control Board (Saskatchewan) dated September 27, 1948.	June 10/49	Mr. M.A. MacPherson,K.C., for Local Council of Women, Regina, Sask.
17	8	Regina	Rules and regulations made pursuant to Section 8 of the Vehicles Act, 1945 (Sask.)	June 10/49	Mr. M.A. MacPherson,K.C. for Province of Sask.
17A	8	Regina	Amending Notice, dated April 9, 1949, to rules and regulations under the Vehicles Act (Sask.)	June 10/49	Mr. M.A. MacPherson,K.C.

		Description	Date filed	Filed by
6	Regina	Official highway Map of the Province of Saskatchewan for the year 1949.	June 8/49	Mr. I. D. Sinclair,
7	Regina	Chart showing crop district numbers filed on behalf of Saskatchewan Co-operative Producers Limited	June 9/49	Mr. H. A. MacPherson, K.C., Counsel for Saskatchewan Co-operative Producers Limited.
7	Regina	Re Hudson Bay Route Association freight charges on traffic ex "Worth Lindenwood" in August & September, 1948, at Churchill, Manitoba.	June 9/49	Mr. H. A. MacPherson, K.C., Counsel for Hudson Bay Route Ass'n.
7	Regina	Booklet - Imports via Hudson Bay Route, 1948	June 9/49	Mr. H. A. MacPherson
7	Regina	Copy of proposed C.N.R. extensions and copy of letter, dated May 26, 1949, to Mr. R.H. Morrill from Mr. William Moore; Notes on railway agreements with the Province of Manitoba, 1901-04; map showing proposed feeder and connecting lines on Hudson Bay Route	June 9/49	Mr. H. A. MacPherson
7	Regina	Hudson Bay Railway consolidated income account, fiscal years 1948-9 and 1947-8, and statement showing cost of moving wheat from Saskatoon, Sask., to the United Kingdom, via Churchill.	June 9/49	Mr. H. A. MacPherson,
7	Regina	Hull insurance rates on the Hudson Bay Route	June 9/49	Mr. H. A. MacPherson
7	Regina	Hudson Bay Route - Canadian submission, Nelson River Colonization Project	June 9/49	Mr. H. A. MacPherson,
7	Regina	Copy of P. C. 3240, dated July 22, 1948, entrusting management of Hudson Bay Railway to Canadian National Railway Company.	June 9/49	Mr. H. A. MacPherson,
7	Regina	Copy of submission of United Farmers of Canada (Saskatchewan Section) to the Board of Transport Commissioners for Canada, dated June 9, 1947.	June 9/49	Mr. H. A. MacPherson, Counsel for K.C.C.
8	Regina	Decision of Traffic Control Board (Saskatchewan) dated September 27, 1948.	June 10/49	Mr. H. A. MacPherson, for Local Council of Women, Sask.
8	Regina	Rules and regulations made pursuant to Section 8 of the Vehicles Act, 1942 (Sask.)	June 10/49	Mr. H. A. MacPherson, for Province of Sask.
8	Regina	Amending Notice, dated April 9, 1949, to rules and regulations under the Vehicles Act (Sask.)	June 10/49	Mr. H. A. MacPherson, K.

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
18	8	Regina	Map showing the area Moose Jaw, Swift Current and Neidpath, which map appeared as Appendix A to submission by RuralMunicipality of Coulee, Saskatchewan.	June 10/49	Mr. M. A. MacPherson Counsel for Coulee
19	9	Calgary	Official Road Map of Alberta.	June 13/49	I. D. Sinclair, CPR
20	9	Calgary	Budget speech of Hon. E. C. Manning, Treasurer of the Province of Alberta, delivered Mar. 4/49.	June 13/49	H. E. O'Donnell, K.C., for C.N.R.
21	9	Calgary	Map of C. N. & C. P. railways, with 100-mile radius circles drawn around principal Western cities.	June 13/49	F.C.S. Evans, K.C. Counsel for C.P.R.
22	10	Calgary	Annual Report of Department of Agriculture of the Province of Alberta for the year 1947.	June 13/49	J. J. Frawley, K.C., Counsel for Alta.
23	10	Calgary	Statement of the amount of livestock hauled by motor trucks and railways in the Province of Alberta and the Province of Ontario.	June 12/49	Hu Harries for Fuel Co-op. Services.
24	11	Edmonton	Memorandum of P.S.V. & C.V. Licenses issued by Highway Traffic Board, Province of Alberta, dated June 14, 1949.	June 17/49	J. J. Frawley, K.C. Counsel for Alta.
25	12	Edmonton	Submission of Gainers Ltd., Packers & Provisioners, South Edmonton.	June 17/49	H. G. Nolan, K.C., Counsel
26	13	Victoria	Tables 1-13, Charts 1-5, Appendices to Brief to Province of B.C.	June 22/49	C.W. Brazier, Counsel for B.C.
27	13	Victoria	List of commodities shipped via Panama Canal on the S. S. Eskdalegate, sailing May 5/49. Giving rail and ocean rate comparisons.	June 22/49	C. W. Brazier.
28	13	Victoria.	Regional Industrial Index of B. C., 1948 Edition.	June 22/49	C. W. Brazier.
29	14	Victoria	Motor Carriers Act & Regulations, 1949	June 23/49	C. W. Brazier.
30	14	Victoria	B. C. Highway Map, prepared by Dept. of Lands & Forests.	June 23/49	C.W. Brazier.
31	14	Victoria	Statement of Licenses issued, transferred and classification changed during the license year ended February 28, 1949.	June 23/49	C. W. Brazier.
32	14	Victoria	Statement of Licenses issued annually, 1940-49.	June 23/49	C. W. Brazier.
33	15	Vancouver	Table A of Brief of Alberta Federation of Agriculture, being farm cash income from sale of farm products (millions of dollars) 1926-48.	June 23/49	J. J. Frawley, K.C., Counsel for Alta.

Exhibit No.	Page No.	Place filed	Description	Date Filed	Filed by
18	8	Regina	Map showing the area lessee (sic), Swift Current and Weyburn, which was approved as Appendix A to submission by Municipality of Regina, Saskatchewan.	June 10/49	Mr. W. L. Weatherhead Counsel for Regina
19	9	Calgary	Official Land Map of Alberta.	June 16/49	I. D. Sinnett, K.C.
20	9	Calgary	Budget speech of Hon. A. C. Hunting, Treasurer of the Province of Alberta, dated [illegible] 1/49.	June 22/49	H. E. Chrumelli, K.C., for C.N.R.
21	9	Calgary	Map of C. N. R. railways, with 100-mile radius circles drawn around principal centres of cities.	June 13/49	C.O.P. Evans, K.C. Counsel for C.N.R.
22	10	Calgary	Annual Report of Department of Agriculture of the Province of Alberta for the year 1947.	June 17/49	M. J. Crawley, K.C. Counsel for Alta.
23	10	Calgary	Statistics of the number of livestock hauled by motor vehicle and railways in the Province of Alberta and the Province of Canada.	June 23/49	Mr Hawkes for Canadian Pacific Railway Co., Counsel
24	11	Edmonton	Memorandum of A.G.V. & A.V. Licenses issued by Highway Traffic Board, Province of Alberta, dated June 14, 1949.	June 17/49	G. L. Steer, K.C. Counsel for Alta.
25	12	Edmonton	Submission of Canada 1948, Province of Saskatchewan, South Saskatchewan.	June 24/49	H. G. Nolan, K.C., Counsel
26	13	Victoria	Tables 1-11, Charts 1-3, Information in Relief to Province of B.C.	June 22/49	C. W. Fraser, Counsel for B.C.
27	13	Victoria	List of commodities shipped via Kamloops Canal on the C.N.R. during year 1948 (Shipping Act 5/1).	June 22/49	C. W. Fraser.
28	13	Victoria	Provincial Industrial Commission of B. C., 1948 Edition.	June 22/49	C. W. Fraser.
29	14	Victoria	Carriers Act & Regulations, 1949	June 22/49	C. W. Fraser.
30	14	Victoria	Highway Map, prepared by Dept. of Lands & Forests.	June 22/49	C.W. Fraser.
31	14	Victoria	Statement of Licenses issued, transferred and cancelled also changed during the license year ended February 28, 1949.	June 22/49	C. W. Fraser.
32	14	Victoria	Statement of Licenses issued annually, 1940-49.	June 22/49	C. W. Fraser.

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
34	15	Vancouver	Table 5 of Brief of Alberta Federation of Agriculture, being Revenue Freight carried by Canadian Railways, 1931-47. (Agricultural implements & vehicles other than autos - tons)	June 28/49	J. J. Frawley, K.C.
35	15	Vancouver	Budget speech by the Hon. H. Anscomb, Minister of Finance, delivered February 25/49.	June 28/49	H. E. O'Donnell,K.C., Counsel C.N.R.
36	15	Vancouver	Report of Dept. of Trade and Industry, S.C. 1948.	June 28/49	H. E. O'Donnell,K.C.
37	16	Vancouver	Schedules 1-4 of B. C. Paper Manufacturers and Converters' Brief. 1 - comparative statement of maximum standard mileage rates for representative distances in various territories of Canada as effective April 8/48. 2 - statement of class rates for 100 miles. 3 - revenue freight carried by Canadian railways 4 - revenue freight carried by Canadian railways percentage increase 1947 compared to 1922.	June 28/49	G. R. Bolton, for B.C. Paper Manufacturers & Converters Limited.
38	16	Vancouver	Tables and chart 4 of Brief of B. C. Lumber Manufacturers. Table 1 - Production and shipments of coast sawmills of B. C. 1938-48. Table 2 - Distribution of shipments for year 1948. Chart 1 - old and new freight rates - from Toronto. 2 - discriminatory increases in freight differentials for 100 lbs. on lumber from B. C. coast. 4 - annual distribution of shipments of B. C. coast mills to domestic market.	June 29/49	C. W. Brazier, Counsel for B. C.
39	17	Vancouver	B. C. Order 2489 of June 3, 1948.	June 30/49	C. W. Brazier.
40	17	Vancouver	B. C. Order 1515 of April 8, 1948.	June 30/49	C. W. Brazier.
41	17	Vancouver	Statements showing quantities on which freight assistance has been paid on grains and feeds shipped during each fiscal year (Apr. 1-31 March), 1941-2.	June 30/49	C. W.Brazier.
42	17	Vancouver	Letter from Union Steamships Ltd., dated June 29, with letters attached from Department of Trade & Commerce - 18 Sept. 1947, Canadian Maritime Commission - 18 March, 1948. To Bella Coola Prod. - 4 Mar./48, and appendix of freight tariffs.		
43	17	Vancouver	Table showing cost of movement of dressed lumber.	June 30/49	C. W. Brazier.

Number	Volume No.	Place Filed	Description	Date Filed	Filed by
34	15	Vancouver	Table 5 of Trial of Alberta Federation of Agriculture, taking Revenue [illegible] light carried by Canadian Railways, 1925-27. (Agricultural implements & vehicles other than autos - tons)	June 29/49	A. E. Creighton, K.C.
35	15	Vancouver	Budget passed by the Hon. H. Anscomb, Minister of Finance, delivered February 25/49.	June 29/49	H. E. [illegible], K.C., Counsel C.N.R.
36	15	Vancouver	Report of Dept. of Trade and Industry, B.C. 1948.	June 29/49	H. [illegible]
37	16	Vancouver	Schedules 1-4 of R. C. Paper Manufacturers and Converters' Trial. 1 - comparative statement of maximum standard mileage rates for representative distances in various territories of Canada as effective April 8/48. 2 - statement of class rates for 100 miles. 3 - revenue freight carried by Canadian railways 4 - revenue freight carried by Canadian railways percentage increase 1947 compared to 1920.	June 29/49	R. E. [illegible], K.C., Paper Manufacturers & Converters Limited.
38	16	Vancouver	Tables and chart 4 of Brief of R. C. Lumber Manufacturers. Table 1 - Production and shipment of [illegible] sawmills of R. C. 1948-49. Table 2 - Distribution of shipments for year 1948. Chart 1 - rail and ocean freight rates - from Toronto. 2 - [illegible] increases in freight differ[illegible] for 100 lbs. on 1 mile from R. C. coast. 4 - annual distribution of shipments of [illegible] to Toronto [illegible].	June 29/49	L. W. [illegible], Counsel for R. C.
39	17	Vancouver	R. C. Order 2489 of June 3, 1948.	June 30/49	C. W. [illegible]
[illegible]	17	Vancouver	[illegible] C. Order 1113 of April 8, 1948.	June 30/49	C. W. [illegible]
[illegible]	[illegible]	Vancouver	Statements showing quantities on which freight assistance was paid on grains and feeds shipped during each fiscal year [illegible] 1-31 [illegible], 1941-2.	June 30/49	C. [illegible]
[illegible]	[illegible]	Vancouver	[illegible] Steamship Ltd., [illegible] Department of Trade [illegible] - 1st June, 1948.	[illegible]	[illegible]

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
44	18	Halifax	Radio address delivered by P. C. Armstrong on May 5/49 at Niagara. Falls.	July 12/49	I. D. Sinclair, Counsel for C.P.R.
45	18	Halifax	House of Commons Debates - official reports - Volume 88 #17, pages 619 to 627	July 12/49	H. E. O'Donnell, K.C.
46	18	Halifax	Preamble to Maritime Freight Rates Act	July 12/49	F. M. Covert, Sr. Counsel.
47	19	Halifax	Volume II of the Brief of the Transportation Commission of the Maritime Board of Trade, being the appendices thereto.	July 13/49	Rand H. Matheson, of the Maritime Transportation Commission.
48	20	Halifax	A memorandum of points for discussion regarding regrouping of the Maritime provinces in class rate adjustments to Montreal and Ontario points.	July 14/49	Rand H. Matheson of Maritime Transportation Commission.
49	20	Halifax	Letter to the Board of Transport Commissioners from Rand H. Matheson dated April 14, and reply thereto, dated April 25/49, as well as letter to Mr. G. S. Wrong, dated April 14/49, and letter to Mr. Matheson from Bureau of Statistics, dated April 20/49.	July 14/49	Rand H. Matheson.
50	21	Fredericton	Brief of the Government of the Province of New Brunswick.	July 18/49	J. Paul Barry, Counsel for N. B.
51	21	Fredericton	A map showing Canadian National Railways for the Atlantic Region.	July 18/49	H. E. O'Donnell, K.C.
52	22	Fredericton	Annual Report of the Department of Industry and Reconstruction, Province of New Brunswick.	July 19/49	K. D. Spence, Counsel for C.P.R.
53	22	Fredericton	Brief of the Town Planning Commission for the Metropolitan area of Greater Moncton.	July 19/49	S. R. Frost, Town Planning Commission.
54	22	Fredericton	Annual report of the Department of Agriculture, Province of N. B. for the year 1948.	July 19/49	H. E. O'Donnell, K.C.
55	25	Charlottetown	Time Table of the Motor Vehicle Ferry Service, 1949, between Borden, P. E. I. and Cape Tormentine, issued by the C.N.R.	July 25/49	Counsel for P. E. I., J. O. C. Campbell
56	25	Charlottetown	Advertisement headed "Additional Train Service Charlottetown- Moncton", published in the Patriot for July 23, 1949.	July 25/49	J. O. C. Campbell.
57	25	Charlottetown	Letter dated June 21 from K. J. and K. M. Martin to J. O. C. Campbell, with a statement of amount paid Borden Bus Co. in the way of fees to C.N.R.	July 25/49	B. G. Rogers for P. E. I.

45	18	Halifax	House of Commons Debates - official reports - Volume 88 (17, pages 619 to 627)	July 12/49	H. E. O'Donnell, K.C.
46	18	Halifax	Preamble to Maritime Freight Rates Act	July 12/49	F. M. Covert, Q.C., Counsel.
47	19	Halifax	Volume 1 of the brief of the Transportation Commission of the Maritime Board of Trade, being the appendices thereto.	July 13/49	Hand V. Mathews, of the Maritime Transportation Commission on Commission.
48	20	Halifax	A memorandum of points for discussion regarding rearranging of the Maritime provinces in class rate adjustments to Montreal and Ontario points.	July 14/49	Hand V. Mathews, Maritime Transportation Commission.
49	20	Halifax	Letter to the Board of Transport Commissioners from Hand V. Mathews, dated April 14, and reply thereto, dated April 27/49, as well as letter to Mr. C. S. Young, dated April 14/49, and letter to Mr. Mathews from Bureau of Statistics, dated April 20/49.	July 14/49	Hand V. Mathews.
50	21	Transportation	Brief of the Government of the Province of New Brunswick.	July 18/49	[illegible]
51	21	Fredericton	A map showing Canadian National Railways in the Atlantic Region.	[illegible]	[illegible]
52	22	Fredericton	Annual Report of the Department of Industry and Commerce, Province of New Brunswick.	July 18/49	[illegible]
53	22	Fredericton	Brief of the Town Planning Commission for the municipality of Greater Moncton.	July 19/49	S. R. Freeze, Town Planning Commissioner.
54	22	Fredericton	Annual report of the Department of Agriculture, Province of N. B. for the year 1948.	July 19/49	H. E. O'Donnell, K.C.
55	23	Charlottetown	Time Table of the Motor Vehicle Act, Section 104, Sub-Section Orders, R. S. I. and Code Correction, issued by the [illegible]	July [illegible]	[illegible]
56	23	Charlottetown	Accounting [illegible] issued from Board to the Attorney-General [illegible] Publication in the Packet for July 2, 1949.	July 20/49	[illegible]
57	24	Charlottetown	Letter [illegible] from K. J. [illegible]	[illegible]	[illegible]

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
58	26	Charlottetown	A letter from Mr. J. Earl Logan to Mr. J. Paul Barry, dated July 22, with attached thereto an Act respecting the Motor Carriers, 1937, Province of New Brunswick.	July 26/49	J. Paul Barry, Counsel for N. B.
59	26	Charlottetown	Correspondence exchanged between the Island Fertilizing Company Limited and the Canadian National Railways, with the following letters 1. Memorandum "Freight Rates Confusing to a Novice", dated July 20/49. 2. Letter from E. B. Robb, General Freight Agent, C.N.R., Moncton, N. B., July 21/49, to The Island Fertilizer Co. 3. Letter to Mr. E. B. Robb from Austin A. Scales, July 15/49. 4. Letter from Mr. Robb to Mr. Scales, June 14/49. 5. Letter from Mr. Scales to Mr. Robb, June 13/49. 6. Letter to Mr. Scales from Mr. Robb, May 10/49. 7. Copy of Telegram to E. B. Robb from The Island Fertilizer Co., May 9/49. 8. Copy of Letter from Mr. Scales to E. B. Robb, April 26/49. 9. Supplement No. 134 to C.N. Rys. C.T.C. No. E. 1765 and Supplement No. 134 to C.N. Rys. No. C.J. 24. 10. Letter from L. J. McDonald, Division Freight & District Pass. Agent, C.N.R., Charlottetown, P. E. I. to the Island Fertilizer Company, Limited, April 22/49. 11. Copy of letter from The Island Fertilizer Co. Ltd. to Division Freight Agent, Charlottetown, P. E. I., April 19/49. 12. Letter from E. B. Robb to A. A. Scales, April 19/49. 13. Copy of letter from A. A. Scales to E. B. Robb, April 13/49. 14. Copy of letter from A. A. Scales to E. B. Robb, March 30/49. 15. Letter from E. B. Robb to The Island Fertilizer Co., March 27, 1948. 16. Copy of letter from The Island Fertilizer Co. Ltd., to E. B. Robb, March 24/48 17. Letter from Rand H. Matheson of Transportation Commission of the Maritime Board of Trade to Austin A. Scales, March 12, 1948. 18. Letter from E. B. Robb to The Island Fertilizer Co., Ltd., March 10/48. 19. Copy of letter from The Island Fertilizer Co. Ltd. to Rand Matheson, March 9/48. 20. Letter from Rand H. Matheson to Austin A. Scales, March 3, 1948. 21. Copy of letter to Mr. Rand Matheson from The Island Fertilizer Co., Feb. 26/48. 22. Copy of Letter to Mr. E. B. Robb from The Island Fertilizer Co., Ltd., Mar. 3/48. 23. Pencilled memo written by Austin A. Scales, July 10/48.	July 26/49	J. O. C. Campbell, K. C., Counsel for P. E. I.

	Subject	Date	Value
[illegible]	Letter from Mr. G. Paul Logan to [illegible] Paul Harry, [illegible] 22, with attached thereto an Act [illegible] Motor Carri[illegible], Province of New Brunswick.	July 26\44	
24	Charlie Tatum	Correspondence exchanged between the Island Fertilizing Company [illegible] and the Canadian National Railways, with the [illegible] letters	[illegible]
	1. Memorandum "Freight Rates Contracting to [illegible]	[illegible] July 22\44	
	2. Letter from E. E. Rob, General Freight A[illegible], Montreal, [illegible] July 21\44, to The Island Fertilizer Co.		
	3. Letter to [illegible] E. Rob from Austin A. Sc[illegible] 29\44.		
	4. [illegible] from Mr. Rob to Mr. Scales, June 14\44.		
	5. [illegible] from Mr. Scales to Mr. Rob, June 13\44.		
	6. Letter to Mr. [illegible] from Mr. Rob, [illegible] 12\44.		
	7. [illegible] to L. E. Rob from The Island Fertilizer Co., May 9\44.		
	8. Copy of letter [illegible]	[illegible]	
	9. Sum[illegible]		
	10. Line to [illegible]		
	[illegible]		
	[illegible]		
	[illegible]		
	14. [illegible]		
	15. [illegible]		
	16. [illegible]		
	17. [illegible]		
	18. [illegible]		
	19. [illegible]		
	20. [illegible]		
	21. [illegible]		
	22. [illegible]		
	23. [illegible]		
	24. [illegible]		
	25. [illegible]		
	26. [illegible]		

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed By.
60	26	Charlottetown	Annual Report of the Department of Agriculture for the Province of P. E. I. for the year ending March 31, 1948.	July 26/49	H. E. O'Donnell, K.C.
61	26	Charlottetown	Highway map issued by the P.E.I. Tourist Bureau,	July 26/49	H. E. O'Donnell, K.C.
62	26	Charlottetown	P.C. 904, dated May 16, 1933, relative to the accounts of the Borden-Cape Tormentine Ferry.	July 26/49	H. E. O'Donnell, K.C.
63	27	Charlottetown	Letter to the Royal Commission, signed by Mr. W. E. Higgins for R. E. Mutch & Co., Ltd., dated July 25/49, with annexed freight bills.	July 27/49	F. M. Covert, K.C.
64	27	Charlottetown	Letter to the Royal Commission from R. E. Mutch & Co., dated July 25, with attached thereto freight bills.	July 27/49	F. M. Covert, K. C.
65	27	Charlottetown	Letter to the Royal Commission, dated July 25, from R. E. Muthc & Co., with Way Bills attached.	July 27/49	F. M. Covert, K.C.
66	27	Charlottetown	Map of the Maritime Provinces.	July 27/49	F. M. Covert, K. C.
67	28	Quebec	Documents and pamphlets by the Saguenay Economic Planning Council.	July 30	G. Desmarais, K.C. Commission Counsel.
68	28	Quebec	Highway map of the Province of Quebec issued by the Texaco Company.	July 30/49	H. E. O'Donnell, K. C.
69	28	Quebec	Map of the C.N.R. Central Region Quebec District	July 30/49	H. E. O'Donnell, K.C.
70	28	Quebec	Synopsis of Passenger Train service Lake St. John Territory, timetable fast freight south bound, time table local way freight service.	July 30/49	H. E. O'Donnell, K.C.
71	29	Montreal	A list of iron and steel products and by-products manufactured by different units of the Dominion Steel & Coal Limited.	August 2/49	L. A. Forsyth,K.C., Counsil for Dominion Steel & Coal Limited.
72	29	Montreal	Application, dated October 8/48, from Dominion Coal & Steel Corporation to the Secretary of the Board of Transport Commissioners, and a joint letter from C.P.R. and C.N.R., dated December 4/48, to the Secretary re the above application.	August 2/49	L. A. Forsyth, K.C.
73	31	Toronto	Constitution of the Ship-by-Rail Association of Canada	August 5/49	H. B. Huston.
74	31	Toronto	Constitution and By-laws of the Canadian Industrial Traffic League.	August 5/49	George Paul.
75	31	Toronto	A map and table showing truck lines owned by the C.P.R. in Western Canada prepared by Canadian Automotive Transportation Association.	August 5/49	J. J. Frawley, K.C., Counsel for Alta

61	26	Charlottetown	Highway map issued by the P. E. I. Tourist Bureau.
62	26	Charlottetown	P.C. 904, dated May 16, 1922, relative to the accounts of the Borden-Cape Tormentine Ferry.
63	27	Charlottetown	Letter to the Royal Commission, signed by Mr. W. E. Higgins [illegible] Hatch & Co., Ltd., dated July 25\49, with annexed freight [illegible]
64	27	Charlottetown	Letter to the Royal Commission from R. L. Hatch & Co., dated July 27, with attached thereto freight bills.
65	27	Charlottetown	Letter to the Royal Commission, dated July 25, from R. L. Hatch & Co., with Way Bills attached.
66	27	Charlottetown	Map of the Maritime Provinces.
67	28	Quebec	Documents and pamphlets by the Saguenay Economic Planning Council.
68	28	Quebec	Highway map of the Province of Quebec issued by [illegible]
69	28	Quebec	Map of the C.N.R. General Region Quebec.
70	29	Quebec	Synopsis of Emergency Fuel Service [illegible] Fuel Freight: South Bound, Air [illegible]
71	29	Montreal	A list of iron and steel [illegible] manufacturers, distributors and the [illegible]
72	[illegible]	Montreal	[illegible] Letter from [illegible] dated [illegible]
73	[illegible]	[illegible]	[illegible]
74	[illegible]	[illegible]	[illegible]
75	[illegible]	[illegible]	[illegible]

ROYAL COMMISSION ON TRANSPORTATION

EXHIBITS

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
1	1	Ottawa	Certified copy of Commission appointing the Honourable W.F.A. Turgeon et al.	May 2/49	Mr. G. R. Hunter
2	1	Ottawa	Certified copy of P. C. 6033, dated December 29, 1948.	May 2/49	Mr. G. R. Hunter
3	1	Ottawa su	Certified copy of P. C. 959, dated March 1, 1949, amending P.C. 6033 by substituting the word "Commission" for the word "Board".	May 2/49	Mr. G. R. Hunter
4	3	Winnipeg	Copy of radio address by P. C. Armstrong, C.P.R., dated Feb. 14/49.	June 2/49	Mr. J. T. McLean, Man. Federation of Agriculture.
5	4	Winnipeg	Copy of Judgment of Board of Transport Commissioners for Canada, dated April 1, 1949, re McColl-Frontenac.	June 3/49	Mr. H. E. O'Donnell, K. C., Counsel C.N.R.
6	5	Regina	Budget speech by Honourable F. M. Fines, Provincial Treasurer for Saskatchewan, delivered on March 2, 1949.	June 7/49	Mr. H. E. O'Donnell.
7	5	Regina	Forty-third Annual Report of the Department of Agriculture, Province of Saskatchewan, for the year ended March 31, 1948.	June 7/49	Mr. H. E. O'Donnell.
8	5	Regina	Copy of Annual Report of the Department of Natural Resources & Industrial Development, Province of Saskatchewan, for the year ended March 31, 1948.	June 7/49	Mr. H. E. O'Donnell.
9	6	Regina	Map showing C.N.R. & C.P.R. railway lines in Western Canada.	June 8/49	Mr. I. D. Sinclair, Counsel for C.P.R.
10	6	Regina	Brief to Royal Commission on Transportation, dated April 13, 1949, from Regina Chamber of Commerce, Saskatoon Board of Trade and Saskatchewan Associated Boards of Trade and copy of submission in the General Freight Rates investigation 1948, dated June 12, 1948, by Regina Chamber of Commerce and Saskatoon Board of Trade.	June 8/49	Mr. E. F. Whitmore, Counsel for the Boards of Trade.

[illegible]

EXHIBITS

Exhibit No.	Volume No.	Place filed	Description	Date Filed	Filed by
1	1	Ottawa	Certified copy of Canada [illegible] Act [illegible] the Honourable [illegible] et al.	May 2/49	[illegible]
2	1	[illegible]	Certified copy of [illegible]		
3	1	Ottawa	Certified copy [illegible] December 29, 1948. substituting [illegible] "Canadian Lumber Co. 1948, [illegible] [illegible] "Corporation" for the word "Board".	Jan 2/49	[illegible]
4	3	Toronto	Certified copy of [illegible] by R. C. [illegible] [illegible] Feb. 14/49.	Nov 2/49	[illegible]
5	4	Toronto	[illegible] Volume [illegible] of Report of Transport [illegible] for Canada, dated [illegible] 1948, on [illegible] Anti-Monopoly.	June 1/49	[illegible] Commission of [illegible]
[illegible]	2	[illegible]	[illegible] Report of Proceedings [illegible] Finance, [illegible] [illegible] Committee, [illegible] March 2, 1949.	Nov 4/49	[illegible]
[illegible]		[illegible]	[illegible] of the [illegible] of Specialists, [illegible] [illegible] March 31, 1949.	June 1/49	[illegible]
8	3	Toronto	[illegible] Volume [illegible] of [illegible] [illegible] measures [illegible] industrial development, [illegible] of [illegible] [illegible] in [illegible] order [illegible] 31, 1949.	June 7/49	[illegible]
[illegible]	5	Toronto	[illegible] Canadian Lumber Industry Ottawa Canada.	June 7/49	[illegible]
10	6	Toronto	[illegible] Transportation [illegible] Canada [illegible] 1949, [illegible] Canadian Bureau of Trade and copy of [illegible] in the [illegible] Trade [illegible] 1949, dated June 14, 1949, by Legislation [illegible] Commission and Canadian Board of Trade.	June 8/49	[illegible] Counsel for C.P.R. [illegible] Bureau [illegible] Canadian Bureau of Trade.

Exhibit No.	Volume No.	Place Filed	Description	Date filed	Filed by
11	6	Regina	Official highway Map of the Province of Saskatchewan for the year 1949.	June 8/49	Mr.I. D. Sinclair,C.P.R.
12	7	Regina	Chart showing crop district numbers filed on behalf of Saskatchewan Co-operative Producers Limited	June 9/49	Mr. M. A. MacPherson, K.C., Counsel for Sask. Co-operative Producers Limited.
13A	7	Regina	Re Hudson Bay Route Association freight charges on traffic ex "North Anglia" discharged in August & September, 1948, at Churchill, Manitoba.	June 9/49	Mr. M. A. MacPherson, K. C., Counsel for Hudson Bay Route Ass'n.
13B	7	Regina	Booklet - Imports via Hudson Bay Route, 1948	June 9/49	Mr. M. A. MacPherson,K.C
13C	7	Regina	Copy of proposed C.N.R. extensions and copy of letter, dated May 18, 1949, to Mr. R.H. McNeill from Mr. William Moore; Notes on railway agreements with the Province of Manitoba, 1901-04; Map showing proposed feeder and connecting lines on Hudson Bay Route	June 9/49	Mr. M. A. MacPherson,K.C
13D	7	Regina	Hudson Bay Railway consolidated income account, fiscal years 1948-9 and 1947-8, and statement showing cost of moving wheat from Saskatoon, Sask., to the United Kingdom, via Churchill.	June 9/49	Mr. M. A.MacPherson,K.C.
13E	7	Regina	Hull insurance rates on the Hudson Bay Route	June 9/49	Mr. M. A. MacPherson,K.C
13F	7	Regina	Hudson Bay Route Association submission, Nelson River Colonization Project	June 9/49	Mr. M.A. MacPherson,K.C.
14	7	Regina	Copy of P. C. 3340, dated July 22, 1948, entrusting management of Hudson Bay Railway to Canadian National Railway Company.	June 9/49	Mr. M.A. MacPherson,K.C.
15	7	Regina	Copy of submission of United Farmers of Canada (Saskatchewan Section) to the Board of Transport Commissioners for Canada, dated June 9, 1947.	June 9/49	Mr. M.A. MacPherson,K.C. Counsel for U.F.C.
16	8	Regina	Decision of Milk Control Board (Saskatchewan) dated September 27, 1948.	June 10/49	Mr. M.A. MacPherson,K.C. for Local Council of Wom Regina, Sask.
17	8	Regina	Rules and regulations made pursuant to Section 8 of the Vehicles Act, 1945 (Sask.)	June 10/49	Mr. M.A. MacPherson,K.C. for Province of Sask.
17A	8	Regina	Amending Notice, dated April 9, 1949, to rules and regulations under the Vehicles Act (Sask.)	June 10/49	Mr. M.A. MacPherson,K.C.

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
18	8	Regina	Map showing the area Moose Jaw, Swift Current and Neidpath, which map appeared as Appendix A to submission by RuralMunicipality of Coulee, Saskatchewan.	June 10/49	Mr. M. A. MacPherson Counsel for Coulee
19	9	Calgary	Official Road Map of Alberta.	June 13/49	I. D. Sinclair, CPR
20	9	Calgary	Budget speech of Hon. E. C. Manning, Treasurer of the Province of Alberta, delivered Mar. 4/49.	June 13/49	H. E. O'Donnell, K.C., for C.N.R.
21	9	Calgary	Map of C. N. & C. P. railways, with 100-mile radius circles drawn around principal Western cities.	June 13/49	F.C.S. Evans, K.C. Counsel for C.P.R.
22	10	Calgary	Annual Report of Department of Agriculture of the Province of Alberta for the year 1947.	June 13/49	J. J. Frawley, K.C., Counsel for Alta.
23	10	Calgary	Statement of the amount of livestock hauled by motor trucks and railways in the Province of Alberta and the Province of Ontario.	June 12/49	Hu Harries for Fuel Co-op. Services
24	11	Edmonton	Memorandum of P.S.V. & C.V. Licenses issued by Highway Traffic Board, Province of Alberta, dated June 14, 1949.	June 17/49	J. J. Frawley, K.C. Counsel for Alta.
25	12	Edmonton	Submission of Gainers Ltd., Packers & Provisioners, South Edmonton.	June 17/49	H. G. Nolan, K.C., Counsel
26	13	Victoria	Tables 1-13, Charts 1-5, Appendices to Brief to Province of B.C.	June 22/49	C.W. Brazier, Counsel for B.C.
27	13	Victoria	List of commodities shipped via Panama Canal on the S. S. Eskdalegate, sailing May 5/49. Giving rail and ocean rate comparisons.	June 22/49	C. W. Brazier.
28	13	Victoria.	Regional Industrial Index of B. C., 1948 Edition.	June 22/49	C. W. Brazier.
29	14	Victoria	Motor Carriers Act & Regulations, 1949	June 23/49	C. W. Brazier.
30	14	Victoria	B. C. Highway Map, prepared by Dept. of Lands & Forests.	June 23/49	C.W. Brazier.
31	14	Victoria	Statement of Licenses issued, transferred and classification changed during the license year ended February 28, 1949.	June 23/49	C. W. Brazier.
32	14	Victoria	Statement of Licenses issued annually, 1940-49.	June 23/49	C. W. Brazier.
33	15	Vancouver	Table A of Brief of Alberta Federation of Agriculture, being farm cash income from sale of farm products (millions of dollars) 1926-48.	June 23/49	J. J. Frawley, K.C., Counsel for Alta.

Date			Description	Date Filed	
18	7	Regular	[illegible]	[illegible]	[illegible]
19	9	[illegible]	[illegible]	June 19/44	[illegible]
20	9	Lunar	[illegible]	[illegible]	[illegible]
21	9	Lunar	[illegible]	June 19/44	[illegible]
[illegible]	10	Lunar	[illegible]	[illegible]	[illegible]
[illegible]	10	Lunar	[illegible]	June 19/44	[illegible]
24	[illegible]	[illegible]	[illegible]	June 17/44	[illegible]
25	[illegible]	[illegible]	[illegible]	June [illegible]	[illegible]
[illegible]		[illegible]	[illegible]	June 20/44	[illegible]
[illegible]	11	[illegible]	[illegible]	June 22/44	[illegible]
[illegible]	1	[illegible]	[illegible]	June 22/44	[illegible]
[illegible]	1	[illegible]	[illegible]	June 22/44	[illegible]
[illegible]	1	[illegible]	[illegible]	June 22/44	[illegible]
[illegible]	1	[illegible]	[illegible]	June 22/44	[illegible]
[illegible]	1	[illegible]	[illegible]	June 22/44	[illegible]

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
34	15	Vancouver	Table 4 of Brief of Alberta Federation of Agriculture, being Revenue Freight carried by Canadian Railways, 1931-47. (Agricultural implements & vehicles other than autos - tons)	June 28/49	J. J. Frawley, K.C.
35	15	Vancouver	Budget speech by the Hon. H. Anscomb, Minister of Finance, delivered February 25/49.	June 28/49	H. E. O'Donnell,K.C., Counsel C.N.R.
36	15	Vancouver	Report of Dept. of Trade and Industry, S.C. 1948.	June 28/49	H. E. O'Donnell,K.C.
37	16	Vancouver	Schedules 1-4 of B. C. Paper Manufacturers and Converters' Brief. 1 - comparative statement of maximum standard mileage rates for representative distances in various territories of Canada as effective April 8/48. 2 - statement of class rates for 100 miles. 3 - revenue freight carried by Canadian railways 4 - revenue freight carried by Canadian railways percentage increase 1947 compared to 1922.	June 28/49	G. R. Bolton, for B.C. Paper Manufacturers & Converters Limited.
38	16	Vancouver	Tables and chart 4 of Brief of B. C. Lumber Manufacturers. Table 1 - Production and shipments of coast sawmills of B. C. 1938-48. Table 2 - Distribution of shipments for year 1948. Chart 1 - old and new freight rates - from Toronto. 2 - discriminatory increases in freight differentials for 100 lbs. on lumber from B. C. coast. 4 - annual distribution of shipments of B. C. coast mills to domestic market.	June 29/49	C. W. Brazier, Counsel for B. C.
39	17	Vancouver	B. C. Order 2489 of June 3, 1948.	June 30/49	C. W. Brazier.
40	17	Vancouver	B. C. Order 1515 of April 8, 1948.	June 30/49	C. W. Brazier.
41	17	Vancouver	Statements showing quantities on which freight assistance has been paid on grains and feeds shipped during each fiscal year (Apr. 1-31 March), 1941-2.	June 30/49	C. W.Brazier.
42	17	Vancouver	Letter from Union Steamships Ltd., dated June 29, with letters attached from Department of Trade & Commerce - 18 Sept. 1947, Canadian Maritime Commission - 18 March, 1948. To Bella Coola Prod. - 4 Mar./48, and appendix of freight tariffs.		
43	17	Vancouver	Table showing cost of movement of dressed lumber.	June 30/49	C. W. Brazier.

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
44	18	Halifax	Radio address delivered by P. C. Armstrong on May 5/49 at Niagara. Falls.	July 12/49	I. D. Sinclair, Counsel for C.P.R.
45	18	Halifax	House of Commons Debates - official reports - Volume 88 #17, pages 619 to 627	July 12/49	H. E. O'Donnell, K.C.
46	18	Halifax	Preamble to Maritime Freight Rates Act	July 12/49	F. M. Covert, Sr. Counsel.
47	19	Halifax	Volume II of the Brief of the Transportation Commission of the Maritime Board of Trade, being the appendices thereto.	July 13/49	Rand H. Matheson, of the Maritime Transportation Commission.
48	20	Halifax	A memorandum of points for discussion regarding regrouping of the Maritime provinces in class rate adjustments to Montreal and Ontario points.	July 14/49	Rand H. Matheson of Maritime Transportation Commission.
49	20	Halifax	Letter to the Board of Transport Commissioners from Rand H. Matheson dated April 14, and reply thereto, dated April 25/49, as well as letter to Mr. G. S. Wrong, dated April 14/49, and letter to Mr. Matheson from Bureau of Statistics, dated April 20/49.	July 14/49	Rand H. Matheson.
50	21	Fredericton	Brief of the Government of the Province of New Brunswick.	July 18/49	J. Paul Barry, Counsel for N. B.
51	21	Fredericton	A map showing Canadian National Railways for the Atlantic Region.	July 18/49	H. E. O'Donnell, K.C.
52	22	Fredericton	Annual Report of the Department of Industry and Reconstruction, Province of New Brunswick.	July 19/49	K. D. Spence, Counsel for C.P.R.
53	22	Fredericton	Brief of the Town Planning Commission for the Metropolitan area of Greater Moncton.	July 19/49	S. R. Frost, Town Planning Commission.
54	22	Fredericton	Annual report of the Department of Agriculture, Province of N. B. for the year 1948.	July 19/49	H. E. O'Donnell, K.C.
55	25	Charlottetown	Time Table of the Motor Vehicle Ferry Service, 1949, between Borden, P. E. I. and Cape Tormentine, issued by the C.N.R.	July 25/49	Counsel for P. E. I., J. O. C. Campbell
56	25	Charlottetown	Advertisement headed "Additional Train Service Charlottetown- Moncton", published in the Patriot for July 23, 1949.	July 25/49	J. O. C. Campbell.
57	25	Charlottetown	Letter dated June 21 from K. J. and K. M. Martin to J. O. C. Campbell, with a statement of amount paid Borden Bus Co. in the way of fees to C.N.R.	July 25/49	B. G. Rogers for P. E. I.

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
58	26	Charlottetown	A letter from Mr. J. Earl Logan to Mr. J. Paul Barry, dated July 22, with attached thereto an Act respecting the Motor Carriers, 1937, Province of New Brunswick.	July 26/49	J. Paul Barry, Counsel for N. B.
59	26	Charlottetown	Correspondence exchanged between the Island Fertilizing Company Limited and the Canadian National Railways, with the following letters 1. Memorandum "Freight Rates Confusing to a Novice", dated July 20/49. 2. Letter from E. B. Robb, General Freight Agent, C.N.R., Moncton, N. B., July 21/49, to The Island Fertilizer Co. 3. Letter to Mr. E. B. Robb from Austin A. Scales, July 15/49. 4. Letter from Mr. Robb to Mr. Scales, June 14/49. 5. Letter from Mr. Scales to Mr. Robb, June 13/49. 6. Letter to Mr. Scales from Mr. Robb, May 10/49. 7. Copy of Telegram to E. B. Robb from The Island Fertilizer Co., May 9/49. 8. Copy of Letter from Mr. Scales to E. B. Robb, April 26/49. 9. Supplement No. 134 to C.N. Rys. C.T.C. No. E. 1765 and Supplement No. 134 to C.N. Rys. No. C.J. 24. 10. Letter from L. J. McDonald, Division Freight & District Pass. Agent, C.N.R., Charlottetown, P. E. I. to the Island Fertilizer Company , Limited, April 22/49. 11. Copy of letter from The Island Fertilizer Co. Ltd. to Division Freight Agent, Charlottetown, P. E. I., April 19/49. 12. Letter from E. B. Robb to A. A. Scales, April 19/49. 13. Copy of letter from A. A. Scales to E. B. Robb, April 13/49. 14. Copy of letter from A. A. Scales to E. B. Robb, March 30/49. 15. Letter from E. B. Robb to The Island Fertilizer Co., March 27, 1948. 16. Copy of letter from The Island Fertilizer Co. Ltd., to E. B. Robb, March 24/48 17. Letter from Rand H. Matheson of Transportation Commission of the Maritime Board of Trade to Austin A. Scales, March 12, 1948. 18. Letter from E. B. Robb to The Island Fertilizer Co., Ltdl, March 10/48. 19. Copy of letter from The Island Fertilizer Co. Ltd. to Rand Matheson, March 9/48. 20. Letter from Rand H. Matheson to Austin A. Scales, March 3, 1948. 21. Copy of letter to Mr. Rand Matheson from The Island Fertilizer Co., Feb. 26/48. 22. Copy of Letter to Mr. E. B. Robb from The Island Fertilizer Co., Ltd., Mar. 3/48. 23. Pencilled memo written by Austin A. Scales, July 10/48.	July 26/49	J. O. C. Campbell, K. C., Counsel for P. E. I.

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed By.
60	26	Charlottetown	Annual Report of the Department of Agriculture for the Province of P. E. I. for the year ending March 31, 1948.	July 26/49	H. E. O'Donnell, K.C.
61	26	Charlottetown	Highway map issued by the P.E.I. Tourist Bureau,	July 26/49	H. E. O'Donnell, K.C.
62	26	Charlottetown	P.C. 904, dated May 16, 1933, relative to the accounts of the Borden-Cape Tormentine Ferry.	July 26/49	H. E. O'Donnell, K.C.
63	27	Charlottetown	Letter to the Royal Commission, signed by Mr. W. E. Higgins for R. E. Mutch & Co., Ltd., dated July 25/49, with annexed freight bills.	July 27/49	F. M. Covert, K.C.
64	27	Charlottetown	Letter to the Royal Commission from R. E. Mutch & Co., dated July 25, with attached thereto freight bills.	July 27/49	F. M. Covert, K. C.
65	27	Charlottetown	Letter to the Royal Commission, dated July 25, from R. E. Muthc & Co., with Way Bills attached.	July 27/49	F. M. Covert, K.C.
66	27	Charlottetown	Map of the Maritime Provinces.	July 27/49	F. M. Covert, K. C.
67	28	Quebec	Documents and pamphlets by the Saguenay Economic Planning Council.	July 30	G. Desmarais, K.C. Commission Counsel.
68	28	Quebec	Highway map of the Province of Quebec issued by the Texaco Company.	July 30/49	H. E. O'Donnell, K. C.
69	28	Quebec	Map of the C.N.R. Central Region Quebec District	July 30/49	H. E. O'Donnell, K.C.
70	28	Quebec	Synopsis of Passenger Train service Lake St. John Territory, timetable fast freight south bound, time table local way freight service.	July 30/49	H. E. O'Donnell, K.C.
71	29	Montreal	A list of iron and steel products and by-products manufactured by different units of the Dominion Steel & Coal Limited.	August 2/49	L. A. Forsyth, K.C., Counsil for Dominion Steel & Coal Limited.
72	29	Montreal	Application, dated October 8/48, from Dominion Coal & Steel Corporation to the Secretary of the Board of Transport Commissioners, and a joint letter from C.P.R. and C.N.R., dated December 4/48, to the Secretary re the above application.	August 2/49	L. A. Forsyth, K.C.
73	31	Toronto	Constitution of the Ship-by-Rail Association of Canada	August 5/49	H. B. Huston.
74	31	Toronto	Constitution and By-laws of the Canadian Industrial Traffic League.	August 5/49	George Paul.
75	31	Toronto	A map and table shewing truck lines owned by the C.P.R. in Western Canada prepared by Canadian Automotive Transportation Association.	August 5/49	J. J. Frawley, K.C., Counsel for Alta.

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
76	32	St. John's	Submission of the Government of the Province of Newfoundland.	Sept. 27/49	P.J. Lewis, K.C., Counsel for Newfoundland.
77	33	St. John's	Copy of undated agreements between Canadian National Railway and 1. Furness Withy and Company Limited 2. Newfoundland Canada Steamships Limited 3. Clarke Steamship Company Limited 4. Blue Peter Steamships Limited	Sept. 29/49	A.K. Dysart Counsel C.N.R.
78	34	St. John's	Map showing proposed air routes and zones.	Sept. 29/49	Capt. E.W. Blackwood, for Eastern Provincial Airways.
79	34	St. John's	Letter date August 19, 1949, from Bowater's Newfoundland Pulp and Paper Mills Limited to Mr. G.C. McNamara	Sept. 29/49	G.F. Murphy, for Bowaters Nfld. Pulp & Paper Mills Ltd.
80	34	St. John's	Submission of Bowater's Newfoundland Pulp and Paper Mills Ltd.	Sept. 29/49	G.F. Murphy, for Bowaters Nfld. Pulp & Paper Mills Ltd.
81	35	Ottawa	Schedule A of Submission by the Trans-Canada Highway System (Yellowhead route)	Nov. 1/49	S.B. Smith, K.C., for Trans-Canada Highway System (Yellowhead Branch)
82	35	Ottawa	Booklet: Highway Practice in the United States of America, issued by the Public Roads Administration, Federal Works Agency, Washington 25, D.C.	Nov.1/49	S.B. Smith, K.C., for Trans-Canada Highway System (Yellowhead Branch)
83	35	Ottawa	Map of part of North-West Territories, issued under the Hon. D. Mills, Minister of the Interior, dated Dec. 31/1877	Nov. 1/49	S.B. Smith, K.C.
84	35	Ottawa	Observations, comparisons and map prepared by D. Homersham of the Yellowhead and Kicking-Horse rates.	Nov. 1/49	S.B. Smith, K.C.
85	35	Ottawa	Clipping from the Daily Province, Vancouver, B.C., dated July 8, 1949, entitled "Flag of Hope Awaits Magic Kiss."	Nov. 1/49	S.B. Smith, K.C.
86	35	Ottawa	Copy of letter dated April 11, 1934, from A. Fraser to the Hon. W.J.P. MacMillan	Nov. 1/49	J.O.C. Campbell, K.C., Counsel for P.E.I.

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
87	35	Ottawa	Copy of letter dated October 14, 1949 from R. C. Vaughan, Chairman and President of Canadian National Railways, to Mr. B. Graham Rogers	Nov. 1/49	J. O. C. Campbell, K. C., Counsel for P. E. I.
88	35	Ottawa	Bill of Lading dated April 23, 1946, Jerome O'Brien, Shipper, O'Leary Co-operative, consignee; and freight bill and arrival notice, dated April 30, 1948, addressed to O'Leary Co-operative.	Nov. 1/49	J. O. C. Campbell, K. C., Counsel for P. E. I.
89	35	Ottawa	Bill of Lading,dated April 23, 1948. Shipper, J. O'Brien, Consignee, Tignish Co-operative Association; and freight bill and arrival notice, dated May 1, 1948, addressed to Tignish Co-operative	Nov. 1/49	J. O. C. Campbell, K. C., Counsel for P. E. I.
90	35	Ottawa	Copy of a letter dated October 31,from H. C. Friel, C.N.R., to J. O. C. Campbell, K. C., withlist of time arrivals of mainland trains	Nov. 1/49	J. O. C. Campbell, K. C., Counsel forP. E. I.
91	35	Ottawa	Letter dated Oct. 13, 1949, from Austin A. Scales toMr. J. O. C. Campbell, K. C., with memorandum regarding approximate cost of shipping 100 lbs. of potatoes by rail and water and memorandum of values of 100 lbs. of potatoes for the years 1920 to 1948.	Nov. 1/49	J. O. C. Campbell, K. C., Counsel for P. E. I.
92	35	Ottawa	Graph showing yield of potatoes per acre, Maritime Provinces based on Dominion Bureauof Statistics information prepared by J. E. McIntyre	Nov. 1/49	B. G. Rogers for P. E. I.
93	35	Ottawa	Letter dated September 29, 1949 from MacFarlane Produce Company to British Columbia, on transportation	Nov. 1/49	B. G. Rogers for P. E. I.
94	35	Ottawa	Letter dated Oct. 14, 1949, from Associated Shippers Inc., Charlottetown,to Mr. C. C. Thompson	Nov. 1/49	C. C. Thompson for P. E. I.
95	35	Ottawa	Pamphlet: "The Market and Transportation Situation", published by the Bureau of Agricultural Economics, United States Department of Agriculture,dated August 26, 1949.	Nov. 1/49	C. C. Thompson for P. E. I.

Exhibit No.	Volume No.	Place Filed	Description	Date Filed	Filed by
96	35	Ottawa	Table prepared according to census rates, Canada Year Book and Departmental records showing acreage and yield of harvest, livestock production, dairy production, for ten-year period, as well as mortgage increases on farms of P.E.I.	Nov. 1/49	C. C. Thompson for P.E.I.
97	35	Ottawa	Photographs of transportation across Northumberland Straits in 1905	Nov. 1/49	B. G. Rogers for P. E.I.
98	35	Ottawa	Agreement dated May 1, 1939 between Canadian National Railways and S.M.T. (Eastern) Ltd.	Nov. 1/49	H. E. O'Donnell, K. C., Counsel for C.N.R.
99	35	Ottawa	Agreement dated May 1, 1939 between Canadian National Railways and Mainland Motor Transport Ltd.	Nov. 1/49	H. E. O'Donnell, K.C.
100	35	Ottawa	Copy of Privy Council Order P. C. 3803, June 26, 1949	Nov. 1/49	H. E. O'Donnell, K. C.
101	35	Ottawa	Copy of car ferry performance for year 1948, supplied by the office of the Superintendent, Charlottetown, P.E.I.	Nov. 1/49	H. G. Rogers for P. E. I.
102	37	Ottawa	Information supplied to Mr. J. O. C. Campbell by the Accounting Department, C.N.R., dated July 13/49	Nov. 3/49	J. O. C. Campbell, K. C.
103	38	Ottawa	List as of Nov. 1, of the Canadian Food Processors Assoc.	Nov. 4/49	C. W. Robinson, K. C., Counsel for the Canadian Food Processors Assoc.
104	38	Ottawa	Map showing distribution of population in Canada, 1941	Nov. 4/49	Rand Matheson, for the Maritime Trans. Commission
105	38	Ottawa	Statement of class rates between Montreal, P. Q., Toronto, Ont., and specified points in the Maritime Provinces.	Nov. 4/49	I. D. Sinclair for C.P.R.
106	39	Ottawa	Brief of the Canadian Food Processors Association	Nov. 7/49	F. M. Covert, K. C., Commission Counsel.

Vol 2

MANITOBA (vols. 2, 3 and 4)

Statement on behalf of the Manitoba Government
(Honourable Douglas L. Campbell - Premier)

p. 47 Economic policy - Manitoba stresses importance of Commission from this point of view.

p. 52 Gradual diversification of industry in the west. Still fundamentally true prosperity of Prairies is in direct proportion to prosperity of agriculture.

p. 59 Position of Prairies in selling products on highly competitive international markets as well as in cities of eastern Canada in competitive markets - price is fixed by competition and the return to the producer is market price less costs of transportation.

p. 63 National policy - construction of railway lines north of Great Lakes.

Tariff policy - bolstered railways - higher prices for people in western Canada because of tariff.

p. 67-68 Board of Transport Commissioners - Powers and duties of B.T.C. should be clarified and widened. Increase staff - guidance to B.T.C. in interpreting "fair and reasonable".

p. 77(a) Expiry rates - No public hearing and no opportunity to state views before they were raised.

p. 77(b) Influence of railway rates on industrial development in the Prairies.

p. 79 Crow's Rest Pass Rates - Manitoba wants them left alone.

p. 94 Diversification of industry would tend to stability of economy.

p. 97 B Wages and effect on the problem.

p. 100-101 Place of management.

p. 113-114 Nature of changes - Procedure should be changed - legislation should be set up to require the railway companies to obtain the endorsement of the B.T.C. before they make the changes and the B.T.C. give an opportunity to the people affected to make representations.

City of Winnipeg and Winnipeg Chamber of Commerce
(Mr. W.F. Fillmore, K.C.)

p. 133 Agreed charges - questions desirability - may work to disadvantage of small business. (see Sec. 35 of Transport Act).

p. 157-158 Notice appears in Canada Gazette.

Manitoba Federation of Agriculture and Co-Operation
(Mr. Milton)

p. 197-201 Competitive rates - where unjust discrimination B.T.C. can review. (Sec. 332 and 342 of Railway Act).

p. 210 Mixing privileges - Vol. 15 C.R.C. Decisions C.F.A. No. 1342 (1925) or Vol. 15 J.C.R. & R. 177 C. 181.

p.230 No distributing rate at border point of entry.

p. 235 M.F.A. advised of amount of livestock rates by their national office and they in turn by C.F.A.

p. 236 B.T.C. has power under the Railway Act to raise a depressed rate subject to objection.

p. 237 Refers to Sec. 331(3) of Railway Act - where a special freight tariff is being raised and objection is taken that the onus of proving that it is necessary or justifiable is on the railways.

Vulcan Iron & Engineering Limited
(Mr. V.M. Stechishin)

p. 249 The railways should not negotiate freight rates without giving shippers the benefit of public hearings, e.g. steel plate now under a class rate which is higher than before.

p. 250 Class ratings should be the same across Canada. Also they feel that onus of proving the necessity for any departure from a uniform scale of class ratings should be on the railways.

p. 251 — Churchill as a port - Class rates between Churchill and western Canadian cities identical inbound and outbound. Principle of out-of-pocket cost of service in making of freight rates has been accepted as sound. They want rates on inward movement to reflect this to the fullest degree. A nominal toll would go far toward encouraging fullest use of this - (look after large percentage of dead-head equipment). Numerous other advantages:

a) reduce cost of purchases to western consumers;

b) increased traffic would help revenues of Hudson Bay Railway;

c) greater use of port facilities would reduce costs at the port;

d) more ships would lend weight to arguments for additional aids to navigation;

e) more aids to navigation would result in lower insurance rates and longer shipping season;

f) higher volume of finished products from a consignor might result in railways giving concession on inbound movement of raw products to the same consignor.

p. 264 — Wants shippers invited to meetings of C.T.A. when changes being discussed instead of having to come in after the fait accompli and then protest.

p. 270 — Effect of blanket increase greater in dollars and cents on high-rated articles.

p. 277, 278, 281 — Some instances where railways make rates of domestic application to encourage an industry in its own country lower than the basis applicable between the United States and Canada.

Manitoba Pool Elevators
(Mr. G.M. McConnell)

p. 316 — Contend that principle of lowering rates to meet international competition should not only be preserved but extended.

p. 330 — Contend operating costs of railways lower on Prairies than in other regions of Canada. Refers to exhibit filed in Mountain Differential case. Lower capital costs - lower terminal costs.

p. 333 — Recommend Commission should determine the result of Prairie operations exclusive of the mountain area.

p. 334 On Prairies the railways are serving an area which is so very dependent for its income on highly competitive international markets.

p. 342 344 Alleged rigidity of freight rates on agricultural commodities during period of drought or price decline.

Voluntary wiping out of 40% increase granted by B.T.C. on livestock by railways in 1921.

Grain rates reduced by 45% in 1923.

p. 345 Not recommending that railways should be operated on the basis of regions.

p. 374 Relation of rates to costs of service - should bear a relation to the cost - should not be excessive to the cost.

Manitoba Co-Operative Wholesale Limited
(Mr. E.B. Chown)

p. 380 Contend lower operating costs on Prairies - therefore should be lower rate structure for the west instead of higher as now alleged.

p. 380-381 They want -

a) simplification of rate structure - want present class rate system extended to encompass most of the special rates;

p. 382 b) standardization accounting;

p. 382 c) competitive rates - allege nominal approval by B.T.C. Recommend further clarification and proper and complete review by Board before being instituted;

p. 383 d) purchase of truck lines by railways - question advisability of permitting this due to possibility of monopolistic control by railways;

e) easier right of appeal - want an office of B.T.C. in each province;

f) more active investigation by B.T.C. of complaints.

p. 385 Enlarge powers of B.T.C. as required to provide above services.

p. 402 Think cost-of-service principle should be applied to trucks.

p. 404 Rates under jurisdiction of provincial regulatory board where traffic handled from point of origin to point of destination by truck.

Co-Operative Vegetable Oils Limited
(Mr. David K. Friesen)

p. 408 High freight rates hindering competition with other sections of Canada.

p. 409 High freight rates have serious effect on secondary industries.

Canadian Co-Operative Implements Limited
(Mr. John B. Brown)

p. 421 Railways should be required to show justification for the changes in rate classification. (re farm machinery)

Manitoba Dairy and Poultry Co-operative Ltd.
(Mr. F.J. Goodman)

p. 430 Rates in eastern Canada for dairy and poultry producers lower than in western Canada. Consequently any revenue in freight rates will impose an additional handicap on Manitoba producers.

p. 433 Want B.T.C. to establish an office with adequate personnel in each province to which the public could make a direct request for adjustments on freight rates when necessary.

p. 434 Before any general increase in rates, the B. T. C. should verify that rates are uniform in the various sections of the country and that the rates on those commodities enjoying special freight agreements be adjusted on the cost of hauling which, no doubt, has been computed by the railway companies.

p. 434 Diversification is necessary over all agricultural areas.

p. 472 If a low-priced commodity must be priced low then it should be priced on the basis of the cost of transportation, not on the cost of the goods. "If it costs you so much per ton mile to move certain products, and they are low-priced commodities, my thought is that should be the basis of the freight rates."

Vol 4

Anglo-Canadian Oils Limited
(Mr. R.J. Christian)

p. 486 Suggest B.T.C. have on staff independent freight experts to investigate an application and advise on same.

p. 487 Opposed to railways smothering competition by controlling truck franchises.

No argument against rates being fixed to give proper return on investment, but return should be thoroughly investigated. Rates should be equally set throughout and not have the burden placed on any one part of the country to pay for losses of the other.

p. 489 Refers to agreement with McColl-Frontenac - dissenting judgment of Mr. Frank MacPherson, "One of these considerations appears to me to be the effect this agreement may have upon the establishing of industry in the west. .....
....
I do think it is a short-sighted policy to discourage the growth of industry, ...
.....
Regardless of what may be the strict legal interpretation of the Act, I doubt that its purpose is to allow the railways power to so discourage the growth of industry, and I do not believe the Board should assist in this by allowing this agreed charge."

p. 493 Cross-examination by Mr. Fillmore suggests B.T.C. is a court and that the court could not act both as an investigator and advocate and as a judge. Witness suggests B.T.C. should have a representative in each province to act as a freight expert for the purpose of answering questions.

p. 505 Agreed charges - Transport Act, 1938, chapter 53, section 33, subsection 13, dealing with agreed charges puts onus on Board to consider effect which the making of the agreed charge or the fixing of a charge is likely to have or has had on -

a) the net revenue of the carrier, and

b) the business of any shipper by whom or in whose interests objection is made to approval being given to an agreed charge.

Under the Transport Act the railways are free to enter into contracts with shippers subject to certain conditions, not-withstanding provisions of Railway Act. Prime consideration is agreement between carrier and shipper, provided that the Board must approve the arrangements so made.

p. 506 Board will not approve arrangements until provisions of agreed charges section of Transport Act complied with. Fullest publicity required including notice in the Canada Gazette - mailing copies of notice to individual organizations, etc.

p. 507 Transport Act is a matter of agreement between the shippers and the railways, not only one railway, but all railways involved where competitive points are concerned.

p. 508 Transport Act provides that anyone who feels aggrieved and has not the benefit of an agreed charge, may procure what is known as a fixed charge.

p. 509 Refers to section 35, subsection 6 of the Transport Act, allowing any shipper who considers his business unjustly discriminated against to apply to the Board for a charge to be fixed for the transport of his goods (being the same goods as or similar goods to and being offered for carriage under substantially similar circumstances and conditions as the goods to which the agreed charge relates).

p. 511 Refers to statement made by Mr. Knowles on previous application and alleges that Mr. Knowles said he was "not interested a bit in the closing of refineries in western Canada, even if it meant closing them all, so long as they got the long haul."

p. 525 Refers to example of railways buying up truck franchise between Winnipeg and Brandon, and since only one franchise issued railways now in a monopoly position. Recommends there should be at least two franchises issued on that route.

p. 529 Is not in favour of controlling truck rates.

p. 530 Witness claims, "the required earnings should be equally distributed throughout the country and not have one part (because there is no water and very little truck) bearing costs that should be equally distributed." Feels rates should be spread over whole area also claims some of eastern rates ridiculously low.

Lead of part

p. 531 Witness says he is not asking for a change in the law with regard to agreed charges but is only suggesting that competitors should be able to get exactly the same thing, provided they agree to the same conditions as exist with regard to the original agreed charge.

Mid-West Metal Mining Association
(Mr. F.B. Shepherd)

p. 543 They believe that satisfactory transportation services will be maintained only if the rates in effect assure the railway companies a reasonable profit on their operations.

p. 544 Currently 90% of the revenues of the railways north and north-est of The Pas derive directly or indirectly from mining.

p. 545 In the matter of the construction of roads in the mining areas, it is deemed essential that the potentialities of the area be given prior consideration rather than waiting until one particular mining operation should suddenly require improved transportation facilities.

It is felt that immediate consideration should be given to the construction of air-strips in stable northern communities in order to prevent complete isolation of these communities during the seasonal periods of freeze-up and break-up.

p. 546 Flat percentage increase to rates will only aggravate present handicaps of the mid-western producer.

p. 547 Everything should be done to assist in the orderly extraction of all usable material during the active life of a mining operation. Flexible transportation rates can assist materially in this regard.

p. 547 Believe Canadian public will show little sympathy towards granting of increases in freight rates without railways giving positive assurance and evidence of sound housekeeping methods.

p. 548 Mining industry of mid-western Canada needs assurance of flexible adjustments in freight rates in order to compete with other mines operating in regions closer to the consuming markets.

p. 50 Contend flexible transportation rates should be available, especially in the instance of marginal grade by-product material. Believe basis of arriving at agreed rates insofar as companies are concerned has been satisfactory - do not recommend imposition of policy of flexible transportation rates on railways by law.

Pioneer Electric Limited
(Mr. Richard Wooman)

p. 556 Would like to have pool car privilege of eastern manufacturers.

p. 559 Comparison of freight rates, east and west - when shipping from Winnipeg westward, the excess freight rates so increase the cost that the amount of business which a Manitoba firm can do in the other western provinces is limited, and thus the expansion of western industry itself is limited.

Restricted by anti-mixing privileges of rule 10.

p. 560 Suggest serious consideration be given to same mixing privileges from Winnipeg westward as railways allow in eastern Canada.

C.N.R. Counsel states that in the west mixing rule is a matter of indifference to the railways.

p. 561 Suggest wholesale distributors in Winnipeg are people primarily interested in maintaining the mixing rule.

p. 562 Conflict of interest between distributors and manufacturers on mixing privileges.

p. 563 Rule 10 quoted - pages 563-565.

Manitoba Crop Improvement Association
(Mr. W.L. Dickinson)

p. 575 Submission is primarily protest against increases of freight rates on seed grain and other seeds.

p. 576 Claim increase has seriously interfered with programme of seed distribution.

p. 593 This is an expiry tariff - in existence for approximately twenty-five years automatically renewed each year without reference to public.

p. 594 Claim railway increased it without referring to public.

p. 595 Claim chaotic and discriminatory condition created as a result of cancellation of these tariffs and nature of general rate structure of western Canada.

p. 597 Claim old rates are not depressed rates and that since they have been accepted for twenty-four years they should be considered as normal rates.

p. 597 Suggest amending Railway Act to ensure that expiry rates are reviewed by B.T.C. before Board permits them to expire.

p. 634 Town tariffs and distributing rates - witness believes under town tariffs in eastern Canada there are definite advantages that do not exist under the distributing tariffs in western Canada.

Garment Manufacturers' Association
(Mr. M.M. Cuttman)

p. 641 Claim level of freight rates now in existence has placed manufacturers in western Canada in a weaker competitive position, e.g. garment manufacturers. Another increase is likely to endanger the existence of this industry by rendering it incapable to meet the already stiff competition from elsewhere.

p. 643 Indicate fear of further increase in rates.

p. 644 Claim western Canadian manufacturers, such as garment manufacturers of Winnipeg, are operating at a geographical disadvantage and that that disadvantage has been aggravated greatly by the freight rate structure.

p. 653 On questioning, witness indicates that it is a question of disparity between the rates from Montreal to Winnipeg as against a transcontinental rate.

Creamette Company of Canada, Limited
(Messrs. George and Robert Williams)

p. 655 Illustration of complicated and unsatisfactory nature of present machinery available to any member of public seeking relieve in a matter concerning freight rates.

p. 656 Claim C.F.A. largely sympathetic to railways.

Recommends B.T.C. should have experts on staff of comparable ability with those of the railways.

Ray-O-Vac (Canada) Limited and Industrial Development Board of Manitoba

(Mr. W.L. Parr)

p. 659A Claims present freight tariffs and regulations favour eastern Canada to the detriment of western Canada - serve to further industrialize the east as compared with other areas - precludes cities in western Canada from becoming industrial cities - prevents certain areas obtaining a more balanced economy.

p. 659D Suggests reclassification of goods so that pool cars may be made more readily available for Winnipeg manufacturers. Claims this suggestion does not involve a protectionist measure with consequent higher-priced goods in western Canada nor does it mean raising the present rates from the east. It does mean that the Winnipeg manufacturer could reach his geographical market with a similar advantage as the eastern manufacturer enjoys against western goods entering their market.

p. 659E Suggests railways revise whole tariff structure.

p. 659F Wants freight classification simplified so that any shipper anywhere in Canada knows that he and his competitors receive the same freight costs. Wants impartial, sympathetic review and revision made. Suggests manufactured goods should be grouped so as to have a common basis of weight for bulk, selling value for weight and damage claim potential.

p. 671 On cross-examination it is suggested to witness that he can apply to B.T.C. for removal of mixing rule. Witness claims railways make it too difficult for individuals who cannot hire a traffic expert.

Canadian Air Line Pilot's' Association

(Mr. A.R. Eddie)

p. 680 Feels airways should be considered as a separate means of transportation rather than as an adjunct to the railways or the waterways means of transportation.

p. 684 An efficient air transport system can be built only on good equipment which in turn means that a strong manufacturing industry must be maintained to ensure a constant supply of good aircraft.

Government must be prepared to foot the bills for research and development without over control or too much restraint, and the incentive of profit making must be maintained.

p. 685 In the public interest the air lines should stay out of the field of design and manufacture of both complete aircraft and components.

p. 686 Suggests present system of route licences be examined since possession of a route licence often gives an air line virtual monopoly on the traffic between specified points and since it may not at all ensure that the operator will provide the maximum possible service to the travelling public.

p. 687 Advocates "frequency of service". Believes system of trunk routes and feeder routes operated by more than one company is worthy of examination and may provide a satisfactory answer to the problem.

p. 688 For greater efficiency and lower costs, suggests thought might be given to merging of facilities of different air lines which are susceptible of joint operation without endangering safety or giving rise to operational disputes, e.g. system similar to union stations in use at certain railway terminals.

p. 689 Raises question of R.C.A.F. Transport Service and contends that cargo and passengers transported in air force aircraft should rightly be handled by the air lines.

Expresses hope that the Department of Transport will have adequate funds to provide adequate airway and air force facilities.

p. 691 Stresses importance of governments taking a hand in design and research work in developing aircraft, especially large transport types.

SASKATCHEWAN

Vol 5

Submission by the Honourable L. F. McIntosh on behalf of the Government of the Province of Saskatchewan

710 Burden of freight rates bears more heavily on Saskatchewan economy than upon any other part of Canada. Geographical location and narrow specialization of resources have contributed to this fact. National policies relating to railways and fiscal measures have, however, greatly intensified the burdens arising from these circumstances. The regional variability of road and water competition also plays a significant part.

Producers and consumers farther from markets in which they sell and buy than are producers and consumers of any other province. Furthermore, the hundreds of additional miles which lie between Saskatchewan economy and its markets can be bridged only by rail transportation.

711 Saskatchewan Natural Resources are such as to render any appreciable measure of provincial economic self-sufficiency impossible under present conditions. Adequate transportation facilities at reasonable rates are, therefore, not merely the condition of a greater or lesser degree of prosperity but are necessary for the survival of the provincial economy.

Saskatchewan lacks certain important resources which contribute to economic diversification. High freight charges have impeded diversification.

Agricultural products represent approximately three-quarters of the net value of production in Saskatchewan. Manufacturing which accounts for approximately 10 percent of net provincial production is chiefly concerned with the processing of agricultural products such as wheat, live stock and dairy products.

712 The capital equipment required by the prairie wheat economy is bulky and cumbersome. Freight rates represent at best a heavy addition to its factory cost and a significant element in the farmer's costs of production.

Narrow specialization of resources and mid-continental location have, therefore, imposed severe and unavoidable handicaps upon Saskatchewan economy. These natural handicaps have been intensified by railway and fiscal policies.

The location and multiplication of Canadian railway mileage was determined with regard to the creation of a Canadian economic and political unit rather than by considerations of economical constructions, maintenance or operation. Canadian fiscal policy again with the national interest in view has to a large extent created an artificial and costly location for the sources of the merchandise which residents of Sask. must import.

713 Canadian tariff policy has pursued the dual national purposes of fostering Canadian industry and of creating traffic for Canadian Railways. To the extent that these purposes have been achieved, the residents of the prairie economy have borne a double portion of the cost involved. First, they have been denied access to many of the efficient mass-producing centres of American production for the purchase of their requirements. Second, they have had to pay transportation charges on their purchases for the longer distances from Canadian production Centres.

714 Railway rates are higher in Western Canada than they are in Central Provinces. This discrepancy exists in the general rate structure, in competitive rates and in the distinction between town tariffs as granted in the east and distributing tariffs in the west.

In the interest of maintaining railways earnings the rates in the prairie provinces are kept unduly high and are not restrained by any adequate measure of water or truck competition.

715-732 Contains the outline brief by the Government of the Province of Sask. submitted to the Royal Commission on Transportation and filed in April, 1949. No cross-examination took place during the regional hearings on this outline brief.

733 Submission by Saskatchewan Dairy Association - Witness - Mr. J. S. Turnbull.

734 Re: Butter -

Increase in butter make from 1939 to 1948 in Sask. is 33 percent. The decrease in the wartime high in butter making in 1944 to the end of 1948 was 21 percent.

The production of cheese in Saskatchewan is very small.

735 During the war years there was approximately as much creamery butter exported from Saskatchewan as from the other two prairie provinces combined, no doubt due to the ratio of population to production, but indicating that under present conditions the dairy industry in Sask. is the most seriously affected of any of the provinces by transportation or freight costs.

Dr. Angus suggests that possibly one reason for high proportion of butter produce in Saskatchewan during

the war years was that in some of the other areas the production of cheese was being forced for export under British contracts.

757 Over 60 percent of Saskatchewan's creamery butter make must and does, find a market outside of its provincial boundaries.

Saskatchewan being the central prairie province is the one most adversely affected by freight rates and transportation costs insofar as Canadian domestic outlets for surplus creamery butter are concerned. Alberta being closer to the West coast is able to use that deficiency area as a first outlet for her surplus. Manitoba is in a similar position in relation to the Eastern Deficiency area.

Approximately one-third of Saskatchewan's creamery butter, available for export, is marketed on the West coast and two-thirds in Eastern Canada.

763 Witness estimates that the Dairy Industry in Saskatchewan is carrying an added economic burden of approximately 55¢ per lb. of butter in relation to Alberta and Manitoba -- providing competitive prices are paid for cream, a burden that increases the moment creamery butter from the Western half of the province has to move east and vice versa.

774 Witness states that as creamery butter is displaced by margarine, Western production will almost certainly decline and the railways will lose a portion of the economic long haul butter load to the eastern provinces and to the West coast enjoyed in recent years, as well as the equally valuable revenue on incoming raw materials.

777 Witness asks "why is it not practical to have two or three freight rates covering carloads of creamery-butter -- one for 20,000 pounds, another and lower for 40,000 lbs., and possibly an in-between rate covering 30,000 lbs. cars. A rate structure based on pay load would have advantages from the standpoint of buyer, seller, producer, consumer and the railways."

778 Suggests that the economic impact of transportation costs to the Dairy Industry in the Prairie West is such that it will be in the interests of the Canadian economy as a whole to ease the situation through placing creamery butter in a lower rate classification, or in the alternative providing a special commodity rate which would cover carload lots being transported long distances such as from the Prairies to Toronto or Montreal and/or to Vancouver or Victoria.

792 Witness submits that at least two possibilities present themselves from a transportation cost standpoint without proportionate loss of income to the railways:

1. That on long haul carload quantities of creamery butter two or more rates be established based on pay load, the larger load benefiting from the lower rate.

2. That through the use of less than the best type of rolling stock during those months when weather conditions permit, economies are created which on long haul loads least or best would permit a more favourable freight classification, or a special commodity rate for creamery butter could be provided.

797 & 798 Witness indicates that in his opinion B.T.C. and Royal Commission should both take into consideration importance of the Dairy Industry to the economy in setting rates or in making recommendations with respect thereto, and indicates that attention perhaps should be paid to cost of carriage rather than the value of the product in setting rates -- particularly where the whole industry throughout Canada is concerned.

803-04 Railways now carry butter and margarine in same freight classification and to this extent seem to have departed from their value concept.

814 Suggestion made by Mr. Evans for C.P.R. that the farmer who is a member of the dairy co-operative may be getting more than his share of the price received by the creamery and the creamery may be too generous with the farmer.

815, 816 & 818 Witness states dairy industry threatened with bankruptcy -- contributes cause partly to transportation but indicates there are other factors including the following -- a lack of interest on the part of the producer in a grain producing province in the production of cream. As production decreases with high labour costs and the like associated with transportation, costs go up, and unless the producer's price or return goes up, he still continues to be somewhat less interested in the production of cream than in previous years. A third factor is the price of grain and the ease with which it may be produced relatively.

Dr. Innis suggests that lower rates on grain might be prejudicial to the dairy industry, but witness backs away from commenting on this.

826 Witness states that in his view the Royal Commission should recommend that the R.T.C. take account of a chance of a fall in price, even if prices drop by 50 cents in fixing railway rates -- notwithstanding that the rate itself can be changed. Witness also agrees that it is his view that it is a real objection to the rate today that that rate would become degressive if prices were to fall very substantially.

826 Statement on behalf of Coal Mining Industry in Saskatchewan -- witness F. B. Ford.

827 Principal coal producing district of Sask. is served both by C.P.R. and C.N.R. and comprises six to eight townships in the general area of the town of Estevan. This district produces 97 percent of the coal produced in Saskatchewan.

829-30 Sask. coal is of the lignite variety and has a low B.T.U. content. Saskatchewan producers must mine, prepare, handle, and pay the freight on two tons of coal to equal the highest grade bituminous, and one and one-quarter tons to equal the lower grade coals produced in the Alberta coal fields.

The value of the commodity as a factor affecting the level of freight rates is closely allied to the value of the service, since generally speaking the higher the market value on an article the greater the value of the transportation service.

Generally speaking, 60 percent of Saskatchewan coal production goes into Manitoba and the western part of Ontario, and 40 percent is consumed in Saskatchewan.

831 Freight rates on coal are of primary importance both to the producers and consumers.

832 Any dislocation of the geographical position of the Sask. coal mining industry by discriminatory freight rate increase would result in the destruction of the foundation on which these investments were made and on which the investors who supplied the capital have the right to rely.

Reference to statement made by Mr. D.C. Coleman of C.P.R. in 1946,- "British Tribunals laid down two principles which should always be borne in mind. One is that railway rates should be based on what the traffic can afford to bear. The other principle was that any producing or trading centre was entitled to the advantage of its geographical location and its proximity to markets, but that railway rates could not generally be adjusted to

relieve such a centre of its geographical disadvantage." Witness advises they are in agreement with those principles, but the flat increase of 25 cents per ton on freight rates not only disregards but absolutely violates the second principle set out. For much lesser mileage the same rate is being imposed on Sask. Lignite coal as is being imposed on coal of a much higher quality transported distances which in some instances are three times as long.

833 Claims flat rate per ton on all coals irrespective of their place of origin or of the mileage from the place of origin to the markets referred to or to their heating values in effect disturbs the geographical position of the chief Sask. Coal Mining Fields to the disadvantage not only of those who have invested large sums of money in the development of the field but to the consumer as well whose interests must be of prime consideration.

Reference to I.C.C. decision of December 21, 1946, giving permission for carriers in U.S.A. to increase their charges and it is significant that the increase on lignite coal was only one-half of the increase granted with respect to higher ranking fuels.

An increase granted on tonnage basis is unfair, inequitable and discriminatory and by applying the same rates of increase per ton on coal produced in Sask. as the coals produced elsewhere and transported long distances into the markets for Sask. coal for the following reasons;

a) Because of difference in mileage between the points of origin to competitive markets.

b) Because of the difference in the existing freight rates the flat rate per ton applied is a greater percentage of the lower freight rate than of the higher freight rate.

c) Because of the difference in heating value between Sask. Lignite and the higher ranking coals with which it comes into competition.

835 It is submitted that,-

a) The increase in freight rates on Sask. coals should be proportionately less than the increase in freight rates on coals transported longer distances.

b) By reason of the quality of Sask. Lignite coal the increase in rate imposed should be cut in half in accordance with the principle recognized by the I.C.C.

832 Witness states that in his opinion a flat increase per ton regardless of the length of haulage amounts to discrimination.

855 The reason for this discrimination is because when you add 25 cents on to the shorter haul it bears more heavily than 25 cents on the longer haul.

862 Submission by Saskatchewan Homemakers' Clubs. -- Witness - Mrs. Mary C. Wade.

864 The farmer is both a producer and consumer -- he must purchase from Eastern Canada or the U.S.A. the equipment and machinery with which he operates. In either case there is a long freight haul. As a consumer he purchases his requirements largely from Eastern Canada.

865 Refers to geographic disadvantages of Saskatchewan arising from its mid-continental position.

The West has comparatively little to correspond to the water and truck competitive rates of Eastern Canada. The producer in Western Canada not only pays transportation costs on his products going out, in terms of a price reduced by the freight charge, but also in the main pays the freight on those goods which he must bring in from Eastern manufacturing areas.

It is submitted that some measures should be adopted so that the burden of transportation costs are more equitably distributed.

869 Sask. is the only province which is forced to depend on coal for the generation of electric power since their sources of water power are scattered and remote.

Construction costs in Saskatchewan are particularly high, because finished lumber, cement, builders' supplies, heating and plumbing fixtures have to be shipped in.

870 Recommends a regulation that the R.T.C. must review all rate changes before they become effective.

872 & 873 Refers to the difficulties of shippers in presenting their case to R.T.C. -- necessity of going east and facing batteries of experts and lawyers.

873 Mr. Evans on behalf of C.P.R. points out that changes in classifications of rates can never be made without the consent of the B.T.C. If it is a change from a lower to a higher class, notice of that must also appear in the Canada Gazette. If, on the other hand, a change in rate is to take place, if it is a change in the so-called ceiling or standard rate that must have the specific approval of the B.T.C. If there are changes upward in rates which are below standard no prior approval is required although the B.T.C. still has jurisdiction to intervene on complaint.

877 Statement by Canadian Co-operative Processors Limited
Witness - Mr. D.M. Harding

894 Witness points out that 21 percent increase granted by B.T.C. on April 8th, 1948, together with other disadvantages, geographical and otherwise, are making it extremely difficult for the horse co-operative to operate in 1949.

Transportation costs and any increases therein may be reflected in either of two ways:

a) In the costs of the products to the consumer or,

b) In the initial or subsequent payment to the farmers or ranchers delivering horses.

894 & 895 Increased freight costs in 1948 over 1947 could not be absorbed by increasing prices of the products because of the type of products being handled and the fact that the only market for horse meat, was the Belgian market.

The general change-over from a consumers to a buyers market, from shipment for relief purposes to shipments for the private trade, together with under-bidding by American competitors on all major products has made it impossible for the co-operative to receive more for its goods in order to take care of the increased transportation costs, in spite of the demand for the products in Europe.

Indicates the co-operative could not possibly cope with any further increases in the existing freight rate structure.

States that producers are already receiving one-quarter to one-half cents per lb. less for their animals than in 1947 due to increased costs both direct and indirect due to transportation.

897 The net effect of increased cost was a deficit on 1948 operations of some $93,000.00 and examination of figures shows that discriminatory freight rates and other transportation difficulties have been mainly responsible.

900 In the field of raw material necessary for this particular industry geographic disadvantages and transportation difficulties are equally apparent. The horse supply near the two plants is seriously depleted making it necessary for the co-operative to draw heavily from north-eastern Sask. where the horse population is still very heavy and this being the furthest area from either the Swift Current or Edmonton plants involves longer hauls and more transportation on C.N.R. lines where the slaughter rate for horses to the Swift Current Plant is not applicable.

905 The policy of the C.N.R. to deny slaughter rates on its lines on shipments consigned to Swift Current because of the fact that there is no C.N.R. service to Swift Current, has, in itself, caused heavy additional costs to the co-operative and many inconveniences. Shipping horses via C.N.R. to be taken over by C.P.R. at first interchange point means two short hauls which is more costly than one long haul.

906 Contains examples of disadvantages in shipping from C.N.R. points and inequalities in existing freight rates.

911 The transportation difficulties of the co-operative may be summarized in the following points:

1. Inability to absorb increased transportation costs on long hauls by means of increased prices for products.

2. Higher costs of production because of long hauls which cause increases in prices on manufacturing supplies.

3. Denial by the C.N.R. of granting of slaughter rate on horses to the Swift Current plant.

4. Incompleted branch lines of both C.N.R. and C.P.R. leading to Swift Current causing longer hauls and excessive shrinkage on horses.

Vol 6

912 Mr. Sinclair on behalf of C.N.R. points out that regardless of routing, freight rates are figured on the shortest mileage. When operating conditions might dictate movements via longer mileage the rate is still figured on the shorter mileage.

941 Mr. MacPherson on behalf of the Horse Co-Operative points out that the difficulty which the co-operative had, concerned the fact that Swift Current was not a competitive point between two railways. Since it was on the C.P.R. there was no difficulty with the slaughter rate on the C.P.R., but since it was not a competitive point on the C.N.R., the C.N.R. denied them a slaughter rate.

942 Mr. O'Donnell on behalf of the C.N.R. points out that the slaughter rate was created by the railroads on the condition that outbound movements be given to the road which gave the cheap rate in.

943 Because Edmonton is a competitive point slaughter rates apply both over the C.N.R. and C.P.R. The witness on behalf of the Horse Co-Operative complains there is discrimination against Swift Current under the tariff simply because Swift Current is not a competitive point.

Dr. Angus queries whether there is not a suggestion that the railways should especially collaborate a little more and compete a little less, and Mr. MacPherson on behalf of the Horse Co-Operative indicates that this is the suggestion which he would like to leave with the Commission.

946 <u>Submission by Saskatchewan Cattle Breeders Association - Witness - Mr. C.F. Connell</u>

With the increased freight rate of 21 percent in 1948 and the proposal to raise the depressed rate to the normal rate, there is an increase of 142 percent over the rates in effect prior to April 6th, 1948, and the witness suggests that this is a very severe increase.

952 Witness suggests a large percentage of breeders of pure breds would be discouraged from continuing attempts to improve their stock and that the quality of the breed will suffer as a result.

952 Witness suggests Canadian economy can ill afford to lose an export market to other competitors through lack of ability to compete in quality due to a falling off of the supply of pure bred stock. This could result in a reduction of long haul live stock traffic. The farmer would be the first to suffer, but his loss would be small by comparison. He would buy less farm implements and equipment and less live stock concentrates and supplies for his family, all of which must be hauled long distances over the prairies by rail. The packer would employ less labour and he would have smaller quantities of meat products to ship.

954 & 954(a) The Witness indicates that the result of the changes will be,-

(1) Cattle suitable for exhibition will remain at home.

(2) Prospective purchasers will lose the opportunity to inspect the most choice animals of the particular breed.

(3) The agricultural exhibitions will immediately suffer a set-back.

(4) Agricultural exhibits have always been the backbone of exhibitions and fairs. With the withdrawal of those exhibits the Dominion Government will not be justified in continuing grants necessary in support of the continuance of the show.

(5) The railways will lose shipping revenue. Less labour will be employed. There will be less money to purchase supplies from Industrial centres not located on the Prairies. There will be less passenger fares collected and less catering of many things such as clothing, manufactured food supplies and other equipment all of which must be hauled long distances over railways at high cost to the purchaser.

954(a) & (b) The pure bred live stock industry has developed under tariffs which have been in effect for over 25 years and their whole business is based upon these rates. They have been regarded as part of the basic freight rate structure, and they are essential to the development and maintenance of the pure bred live stock industry.

So important is stability of freight rates in the industry that it is felt such drastic increases as are now proposed by the railways should not be permitted solely at their discretion. The railways should not be in a position to exercise so great an influence on this industry. In effect they are in a measure deciding its fate. There should be no question as to the powers of the B.T.C. to exercise control in matters of this kind.

963 Witness stresses the importance of the rate to the industry and states that it has been in force for so long that the whole industry has been built on this rate.

Witness thinks that it is worth considering giving wide powers to the B.T.C. to investigate a situation such as this and put in special rates to encourage an industry such as this.

964 Chairman suggests that this submission appears to be based on the fact that the depressed rate has become a vested right in the pure bred live stock industry, and that in fact the industry throughout Canada is affected in the same way by this increase.

970 & 972 Witness suggests that railways by the proposed increase may be tending to price themselves out of this market.

There are two branches of the complaint of the pure bred live stock industry -- one has to do with pedigreed live stock and the other with exhibition live stock. Pedigreed livestock moves pretty largely within the west -- not much east-west shipment. Exhibition stock goes all over the west as well as into Eastern Canada for exhibition and even into the United States. Prior to the change the rates involved the full scale for the movement from the point of origin to the first exhibition and then from the first exhibition to the second, third and succeeding exhibitions the rate is one-half of the normal rate, and then from the last exhibition back to the point of origin the stock moves free. In the proposed change as regards exhibition stock instead of having one-half rate between exhibitions and the free return movement, the exhibitor will have to pay the full rate for the entire trip.

975 Witness feels that it would be sounder to have a greater increase in the general level of rates rather than disturb the special concessions that have gone on for a long time and on the strength of which industries have been built up.

977 Submission by Saskatchewan Honey Producers Co-operative Marketing Association Limited.
Witness - Mr. Ray H. Hugh

Saskatchewan Bee Keepers are further both from the sources of their requirements and from all the major honey markets and have a higher average freight on their requirements and the honey which they market than the Bee Keepers in any other honey producing province.

982 Up to two years ago Ontario or Manitoba Bee Keepers could compete with Saskatchewan Bee Keepers on the Vancouver market, since they enjoyed the same freight rate to Vancouver. Most of these discriminatory tariffs have been adjusted, not by lowering the rates charged Saskatchewan Bee Keepers but by raising the rates of competitors.

983 Refers to anomaly under present tariff whereby honey moving west to Vancouver is only charged an additional 25 cents per hundred weight for the distance between Tindale and Winnipeg, while honey moving east is charged 60 cents a hundred weight for the same distance.

983-84 Summary of Submission

(1) The geographic position of Saskatchewan both in relation to markets and sources of supply constitutes a serious handicap to Sask. Bee Keepers and makes freight rates of vital importance to them.

(2) Freight costs on beekeepers requirements and on honey moving to market constitute the major single item of expense and costs them a very high proportion of their total receipts.

(3) Freight rates to some important markets still discriminate against Saskatchewan Beekeepers.

(4) In general, uniform freight rate increase affects Saskatchewan beekeepers more seriously than their competitors since freight constitutes a much larger proportion of their costs.

985 Saskatchewan produces approximately one-seventh of the total Canadian production of honey.

1018 Submission by Regina Chamber of Commerce, Saskatoon Board of Trade and Saskatchewan Associated Boards of Trade - Witness - Mr. E.F. Whitmore

1022 Requests commission to review and report upon disparity which exists between the general level of freight rates in the Prairie region and the general level of freight rates in the Eastern region.

1029 Alleges that general level on Eastern rates has always been lower than the general level of the Prairie rates. Suggests this disparity is discernible in each of the main type of freight rates which together compose the Canadian freight rates structure.

1032 States that while the relation may vary from class to class, from distance to distance, and from shipment to shipment, the fact remains that, generally speaking, standard mileage rates are higher in the Prairie Region than they are in the Eastern region.

1033-34 Alleges that as a general rule it can be said that the distributing rates in use in the Prairie region are lower than Schedule "A" rates for distances up to 50 miles, but higher for distances exceeding 100 miles; normally the difference becomes greater as the distance increases (reference the judgment of Cross, C.C. at page 61 in judgment of 30 percent case).

Schedule "A" rates as used in the Eastern region apply in both directions; they apply to shipments moving from the distributing centre to some other station as a destination; they also apply to shipments moving to the distributing centre from some other station as a point of origin. One result of this is that they tend to become maximum rates for intermediate points.

In the Prairie region, by way of contrast, distributing rates apply only to traffic moving from the distributing centre to some other place as a destination. They do not apply to shipments moving towards the distributing centre. For this reason they apply to and control, whether directly or indirectly, a much smaller volume of traffic than do the town rates; they leave a larger volume of traffic to be carried under the generally higher S.M.R. rates and they have little if any effect in curtailing rates from intermediate points.

1034 In the case of a number of very important commodities C.M.R. are higher on the Prairies than they are in the East, e.g. lumber, other forest products, scrap iron, as well as cement lime and grain.

1035 Competitive tariffs are much more common in the East than in the West.

1036 In general the various Prairie rates are higher than the corresponding Eastern rates.

The freight rate structure existing in the Eastern region affords many more opportunities of shipping on a lower type of tariff than does the structure provided for the Prairie region.

The ultimate result is that on the whole freight movements are in commercial fact cheaper in the East than on the Prairies, i.e. a specified quantity of goods can on the average be moved for a specified distance in the East for less freight than the same quantity of the same goods can be moved for the same distance on the Prairie.

1038 Refers to statement by C.C. Cross in 30 percent case "the general rate level as a whole in Ontario-Quebec is below that on the Prairies."

Alleges that absolute differences between the two general levels measured in terms of money - in cents per hundred pounds - which existed prior to March 31, 1948, were naturally and almost obviously increased and made more noticeable by the 21 percent increase. Claims that if further increases of the same type are authorized the absolute differences will become still greater, still more noticeable and still more onerous.

1038(e) Suggests the only solution which is both feasible and just is the introduction of a greater measure of equalization between rates for similar traffic in different regions.

1038 (k),(l),(m),(n),(o), (p), and (q) Contends that it should be a fundamental principle of the Canadian freight rate structure that the freight rates charged for the movement of similar shipments over the same distances in all regions should be as nearly as possible equal, except to the extent that differences are made necessary by possibly four factors:

(1) effective competition;

(2) the national interest;

(3) the interests of the public;

(4) possibly other special circumstances;

Believes absolute equalization impossible at this time.

Not advocating the alteration of the general classification of tariffs. Would still retain the tapering of freight rates.

Agrees that standard tariffs, town tariffs, distributing class rates, commodity rates of various types, terminal rates, competitive rates, and agreed charges etc., would all retain their general place in the rate structure.

Specific Recommendations

(1) The principle of equalization should be applied to standard freight tariffs.

(2) Principle of equalization should also be applied to the distributing rates and town tariffs.

(3) Necessary and desirable to retain most of the special class rates.

(4) May be necessary to make a percentage change in the relation between first and fourth class rates, and between first and fifth class rates.

(5) May be necessary to introduce new commodity rates in some regions and perhaps rarely to withdraw some of the existing commodity rates.

(6) Does not contend that it will be possible to apply the principle of equalization to competitive tariffs.

(7) Does not question the principles involved in the Maritime Freight Rates Act.

(8) Does not advocate that the principle of equalization should be applied in any hurried or thoroughgoing or sweeping manner regardless of the consequences. Realizes that it may be necessary to apply these new principles in a reasonably cautious manner and that there will be limits beyond which it cannot be taken.

1040 Suggests that if control by B.T.C. is to be effective, two things are necessary:

(1) Either an extension or a clarification of the functions and powers of the B.T.C.

(2) An alteration of the principles which it is to apply.

1040-41 Suggests the controlling powers of the B.T.C. should be made more explicit in two respects,-

(1) The B.T.C. should clearly have power to be exercised either of its own motion or on the application of another interested party, of introducing commodity rates and other special tariffs, and also competitive tariffs.

(2) The B.T.C. should have the power to be exercised whether on its own motion or on the application of another interested party, of preventing the cancellation, or expiry, or of ordering a continuance of any commodity tariff or any special tariff.

If necessary the Railway Act should be amended to confer these powers on the B.T.C.

1042 Suggests alteration of the principles which the B.T.C. should apply when dealing with changes in the freight rate structure. Suggests giving greater preeminence and at the same time greater particularity to three basic principles,-

(1) That all rates must be just and reasonable.

(2) That differences in rates for similar services - the movement of similar shipments over similar distances - in different regions are improper except where they can be justified.

(3) That the principle of equalization should be applied wherever possible.

1043 Concepts of unjust discrimination and undue preference should be shorn of some of the aspects of all-sufficiency which they seem to possess at the present time. They should not constitute the major and some times the only test, as to the legality of a tariff. They should be subordinate to the three basic requirements referred to above.

1051 Does not have any suggestion as to the amendment that should be made to the Railway Act.

1055 Submission of Saskatchewan Stock Growers' Association - Witness - Mr. Herbert Wiebe

1059 Freight rates increase heavily the cost of marketing, especially of live animals which, moreover, lose considerable weight when transported long distances from production areas to Eastern markets.

1063 Freight costs must be borne on equipment and repairs required to get ranches into proper condition. These include a very wide range of commodities such as building materials, repairs, fencing, mowers, balers for hay or straw, hardware, harness, gasoline etc., all of which move long distances at high rates.

1065 Also sometimes necessary for ranchers in Sask. to bring in considerable feed, since they do not grow enough feed to carry their stock over the winter, and the transportation charges on this feed coming in is an important factor.

1066 Witness supports representations made by pure bred livestock breeders with regard to removal by railways of the depressed rate on pure bred live stock.

1067 Witness refers to certain gaps in existing railway network in Saskatchewan necessitating longer railway hauls. Points out this results in longer trips with heavily overloaded trains many hours behind time and consequent heavy shrinkage on live stock, requiring some times two extra unloadings to feed and water enroute.

1084 Submission on behalf of "Till-the Cap" Association -- Witness - Mr. Noel Dubrague.

1086 - 87 Witness points out that in the period from 1910 - 1914 a branch lines extension program of the C.P.R. took place in Sask. and that further extensions were made in

the 1920's. Construction ceased in 1928, however, leaving uncompleted the line between Val Marie and Frankota. Repeated requests have been made to the C.P.R. and to various Government Officials urging the completion of this line, but nothing has been done about this to date.

1087 Witness suggests that more control should be exercised to avoid these situations from developing -- situations which impose serious economic handicaps on the residents of this particular district.

1093 Witness points out that due to round about rail routing the train leaves Val Marie at 7 o'clock in the morning and 36 hours afterwards is 35 miles north of Val marie and the stock has been fed once at Shaunavon.

1094 Witness refers to the fact that all of this traffic carries the extra charge for the 200 miles back haul.

1095 Refers to the effect of the 21 percent increase and to the fact that they paid heavily for the 200 extra miles before the rate increase and by the application of this uniform percentage boost their position has been worsened both in dollars and cents and in relation to producers no further removed from markets than they are but whose railway connections do not involve 200 extra miles to get there.

1104-05 Contends that matters of this kind should be subject to review by an impartial agency and requests this Commission to recommend that B.T.C. should be empowered to deal with matters of this kind.

Val 7

1108 Mr. O'Donnell on behalf of C.N.R. informs Commission that the Hansen-Clark Limited has issued a notice to shippers of the Montreal to Vancouver Service and that on May 4th their first sailing was established, of the S.S. Coskdalegate from Montreal. The second sailing is to be about the 30th of May and monthly sailings thereafter have been advertised.

1109 <u>Submission by Saskatchewan Co-Operative Producers Limited (Saskatchewan Wheat Pool) - Witness, Mr. F.H. Robertson</u>

1128 Refers to effect of 21 percent increase on live stock and states that while price increases are not large, especially when related to the individual animal, that these apparently minor tariff increases multiplied many times on all the commodities passing in and out of Western Canada have collectively an importance and effect which is not properly realized if an observer considers one article alone.

1154A & B

Refers to extent to which Sask. live stock producer must depend on railway service. Submits that freight charges are a factor comparable in importance with feed and labour costs in determining the extent to which farmers will maintain live stock production.

Increased charges can have only one effect. Live stock production and marketings will be curtailed in Saskatchewan. To the railways this will mean reduced revenue -- to the farmer it will mean being forced further along the road toward a complete wheat economy, a condition which, in our opinion, can only prove disastrous in the long run.

Because of the long distances from centres of heavy industry, freight charges form a large part of the purchase price paid for farm machines.

Successful farming in Sask. can only be carried out if the farm operator has a large number of machines which, because of their purpose, are expensive to manufacture and heavy to transport.

1162

Witness submits that freight costs on farm machinery are of major influence in determining the welfare of the Sask. farmer. If not carefully regulated, these costs may, during times of short crops or poor markets, prove such a burden as will curtail the movement of necessary implements to the farms of Western Canada.

1162-63

"A Chief problem of the Sask. farmer through the years has been the difficult, and sometimes impossible, task of balancing fixed costs against fluctuating income. He experienced years at a time when the market value of his products was less than the cost of production. During that period fixed costs remained high and their pressure finally crushed the structure on which his economy was based and plunged him into a sea of debt from which he is only now recovering. One of these fixed costs was freight charges. Past experience in this province has proven that fixed charges which may appear reasonable when price levels are high become excessive and are a great burden on the economy when price levels fall."

1163

Witness submits that on long-term basis the farmer in Saskatchewan is unable to carry any further burden on transportation costs.

1164 & 65

Witness claims Sask. geographically is at a serious disadvantage and refers to relatively few miles of all-weather roads, lack of water transportation, and long distance from the seaboard. Also refers to fact that Sask. producers must ship vast quantities of their production in the raw state and that movement of raw materials is invariably an expensive proposition especially when the nearest waterway is nearly 1,000 miles distant.

1166 Witness refers to marginal areas for farming operations and states that if farming operations are to be continued over a very considerable area of the province, fixed charges such as railway freight rates must be maintained at the lowest possible level.

Recommend greater diversification of agricultural production and the establishment of certain types of secondary industry. Submits that high transportation costs are a major factor in discouraging diversified farming development and the growth of secondary industry.

1167 Submits that whole freight rate structure should be considered from the point of view of the disadvantages under which Sask. agriculture labours by reason of:

(1) Its geographical position,

(2) Its utter dependence upon railway haul, without any practical competitive alternative,

(3) Its particular interest to the general economic well being of Canada, because of its huge annual exportable surplus.

1168 Witness recommends a stabilized freight rate -- a type of average rate which they could afford to pay under any and all circumstances.

Does not recommend subsidies but feels that a proper equalization of freight rates can be worked out which would provide sufficient revenue to the railways to enable them to continue to function and enable the farmers in Saskatchewan to pay the necessary tolls.

1186 Reference is made to the judgment of Chief Commissioner Cross in the 21 percent case page 68 where he says in part as follows:

"The Railway companies subject to the jurisdiction of the Board will be required to continue to furnish to the Board monthly statements of their operating revenue, operating income and should the Board, at any time, be of opinion that a greater amount of money is being paid to the railway companies than is actually necessary to enable them to maintain a reasonable degree of operating efficiency, the Board reserves the right at any time, on notice, to readjust the rates to meet the conditions then existing. On the other hand, should the amount of advance in rates authorized, prove to be insufficient, the railways can always apply again. The Board will remain seized of these proceedings."

1200 Witness says their organization is not raising the question of grain rates at this time, but indicates that if the question of grain rates is raised at a later date that they would like to be heard on the matter.

1203 Submission by Hudson Bay Route Association - Witness - Mr. R. H. MacNeill

1211-12 "The whole purpose behind the building of the Hudson Bay Railway and the development of Churchill was to bring the Prairies closer to tidewater with the logical expectation that the substantial advantages of reduced rail haul would be directly reflected in reduced freight costs. This expectation has not been fully realized due apparently to the particular rate structure which has been applied to the Hudson Bay Railway. The application of the prairie rates and absence of competitive forces have in large measure denied to this route and the territory it was designed to serve, the advantage of the shorter haul."

1213 Witness urges that rate structure on Hudson Bay Railway be carefully reviewed to the end that reductions be instituted so that the resulting rates may adequately reflect the shorter distance to tidewater and thereby facilitate and enlarge the volume of traffic over this route.

1216 Suggests that a Freight Soliciting Agent be appointed to solicit traffic for the Hudson Bay route both in the Prairie Provinces and in the United Kingdom.

1218-19-20 Hudson Bay Route Association submits:

1. That it is their earnest objective to develop traffic both inward and outward both over the Hudson Bay Railway and the Hudson Bay Route.

2. That the present freight rate structure applicable to the Hudson Bay Railway is on a level which fails to reflect adequately the shorter distance of Prairie points to tidewater at Churchill and a revision of the rate structure is essential to make the rate more attractive to Prairie importers and distributors.

3. That careful consideration be given to requests for extensions in the North as referred to in their brief.

4. That consideration be given to colonization of the fertile Nelson River Area.

5. That a Freight Soliciting Agent be appointed for the specific purpose of promoting traffic for the Hudson Bay Route.

6. That a full scale test of the capability of the Hudson Bay Route in the export of Prairie grain be inaugurated.

7. The appointment of an independent three man supervisory board for a five year minimum period covering all conditions pertaining to the Hudson Bay Railway and Port of Churchill, operations on land and sea, and composed of an Engineer, Traffic officer, and Accountant.

1230 Mr. O'Donnell, on behalf of C.N.R. points out that railroads do not use soliciting agents to solicit traffic for a particular route. He also observes that the shipper usually directs which route he wishes the traffic to go.

1234 Submission on behalf of Saskatchewan Federated Co-operatives Limited - Witness. Mr. R. L. Fowler.

1236-37 Railways are not integral part of Canadian economy and for the service they render to the Canadian people they are entitled to more and better rates which will enable them to,-

a) Pay fair wages to all within their employ;

b) Set up depreciation on capital equipment;

c) Allow a reasonable interest rate for capital employed (whether privately invested or Government funds).

It therefore follows that the railroads have a moral responsibility to serve all the people of Canada efficiently, without discrimination and without unnecessary duplication of services or effort.

It is submitted, however, that excessive waste and duplication does exist.

1237 An example of this duplication is the fact that in Saskatchewan there are approximately 48 points classified as competitive points and while there are union stations at several points, yet there are only three points where there is a pooling of services or joint agencies in respect to the business conducted and even then the pooling is not all-inclusive. In addition there are only 13 points where carload traffic is interchanged.

1238 Witness contends that if, in certain areas, it is more economical in the national economy of the country to haul goods by truck or water then the goods should move in

that fashion. If there is any good reason in the national interests why railroads are allowed to break down rates to get business 'for business' sake'; then the deficiency in operation should be made up by national subsidy rather than increased rates elsewhere where no such competition exists.

Witness recommends higher degree of co-operation between the railways. If this cannot be accomplished then witness suggests there is only one answer to the problem and that is to amalgamate the two main railroad systems under one national system operating efficiently and economically in the interests of the Canadian people.

1264-65 Witness is cross-examined on his views with regard to elimination of duplication and competition as well as amalgamation but does not introduce anything other than what is contained in his earlier statements.

1273 Regarding competition between railways witness indicates that the goods should go most expeditiously in terms of the time factor and the mileage factor and that this could be a matter for the B.T.C. to determine whether one competitor gives up traffic and at what point to another competitor.

1277-78 With regard to the suggestion that where it is more economical in the national economy of the country to haul goods by truck or water when the goods are moved in this fashion the witness is asked whether this would not necessitate some unified control of all the transportation agencies throughout the country. The witness in answer suggests that the B.T.C. might have their control increased.

Witness thinks that the transportation agency which is best qualified to handle the traffic and handle it most economically should get the business and that the consumer is entitled to this in the national interest.

1280 <u>Statement on behalf of the Local Council of Women of the City of Regina - Mrs. Mary Thomson.</u>

1282 Witness claims that the geographical position of Saskatchewan has placed it at a disadvantage with respect to transportation and this in turn has affected the nutritional standards of its people. The cost of importing certain healthful foods is contributing to the high cost of living in Saskatchewan and consequently to lower than desirable nutritional standards, particularly of the lower income groups.

1284 It is submitted that some measure of relief with respect to transportation costs would permit lower income groups to obtain this healthful food and thus raise their nutritional standard of living.

1285 Witness suggests that just as the family allowance was a device used to equalize the advantages that children could enjoy, so might a further contribution to the equality of opportunity be secured by a more equitable distribution of transportation costs.

1286 Refers to quotation in Professor W. T. Jackman's "Economic Principles of Transportation" that,-

"The influence of railway rates is all-pervading. If these rates are unduly burdensome, the tendency is to slow down the entire machinery of production and to put upon consumers the pressure of high prices. The consumers feel this burden in everything they purchase to eat or to wear, to use or to enjoy; for usually high freight rates are accentuated all along the lines of distribution by which the commodities finally reach the consumers, and a small increase of freight rate is usually preliminary to a very much larger increase of price to the ultimate consumer."

1292 <u>Submission on behalf of the United Farmers of Canada (Saskatchewan Section) Witness - Mr. F.R. Mickerton</u>

1290 Witness refers to statement made by Mr. Frank Sheffrin in the 1948 May issue of the Dominion Department of Agriculture's Economic Analyst, "Measured in terms of cash income Ontario and Saskatchewan are the most important agricultural provinces in Canada. However, the Province of Saskatchewan is dependent mainly on a single crop -- wheat -- and is therefore subject to a greater degree of income instability than Ontario."

Witness states that diversification in Sask. must come through live stock and live stock products.

1300 Three main factors stand out as logical reasons why Saskatchewan should increase its live stock population:

1. An economy largely dependent upon wheat production is subject to great variability of income, and live stock production to the extent practicable, would tend to broaden the base of Saskatchewan's economy.

2) Much of the cultivated soils of the province have become marred to an unhealthy degree by wind and water erosion. A great deal of the affected land should be seeded down to grass, to rebuild back into the soil humus and fibre necessary to plant life and prolonged soil fertility.

3) The nearness of Sask. to the United States with its rapidly increasing population will before long enable the Western plains to become an essential production source of animal products to supply the U.S. market.

1300-01 Factors contributing to continuous decrease in live stock numbers include,-

1) Income taxation, freight costs, price and market insecurity, fear of lower prices and drought conditions which affect the feed supply in some areas.

It is submitted that the higher and relatively inflexible transport costs coupled with the probability of lower prices have in a measure, determined reduction of farm animals.

1303 Witness suggests it is unfair that producers in Saskatchewan should be further penalized because of geographical location and contends therefore that a properly balanced freight rate structure should be on a nation-wide basis but that the most advantageous parts of the nation should bear a share of the transport cost load now borne by those who unjustly suffer from geographic disadvantages.

Witness further submits that a horizontal freight rate increase is a very unintelligent approach to the transportation problem in Canada.

1305 The suggestion is made to the witness that possibly the prices that are obtained for grain tend to take people away from the production of live stock.

1308 Witness suggests that if one railway finds it cannot finance itself and pay what its capital cost is, then possibly the Government ought to give consideration to bringing the two of them together and controlling them all. "When all is said and done, regardless of how it was built and who built it, it is a public utility and as a public utility it is there for the purpose of serving the people. If it cannot serve the people and earn a profit on the capital invested, then it is the responsibility of all the people of the Dominion of Canada."

Vol 8

1313 Submission on behalf of Saskatchewan Poultry Board - Witness, Mr. E. E. Brown

1321-22 Saskatchewan poultrymen have laboured under many difficulties not encountered in localities more favourably situated as regards markets. Saskatchewan has no large urban consuming centres and producers have to face the fact that surplus production must be shipped long distances to outside markets involving extra care in handling, extra costs in refrigeration and extra charges in freight rates not borne by more favourably located competitors.

Poultry industry in Saskatchewan is dependent almost entirely on the railways. Witness claims transportation charges against the product and the feed and supplies necessary to its production are as high or higher than for any of the other provinces.

1324 Witness suggests that transportation costs also have a decided bearing on the feeds used by poultry producers.

1329 When transportation charges are too high in relation to the price the producers net return will be too low to show a profit and the industry in this province will rapidly deteriorate. The producer in Eastern Canada being close to the markets has, of course, lower freight costs and, in addition, can make use of other means of transporting his supplies and products when the railway charges get too high, whereas the industry in Saskatchewan must depend entirely on rail movement.

1336 Witness thinks that the poultry industry is about at the point where further increases will act as a deterrent to production.

1342 Witness says that they generally encourage the fastest movement, which is preferably by rail rather than truck, because they find that there is less breakage by rail.

1343 Submission on behalf of Saskatchewan Motor Dealers Association - Witness, Mr. John Finch.

1344 Motor Dealers Association submit the unfairness of horizontal percentage freight increase as it applies to Motor Vehicles.

1349 Reference is made to the so-called "freight formula" suggested by the Saskatchewan Motor Dealers Association and the effect it would have in equalizing freight rates on motor vehicles.

1352 Witness admits that this proposal has not got the full support of the Motor Dealers Associations across Canada and that it has not been possible to do anything about this formula insofar as effective action was concerned.

1356-D Suggests that even the present rate charged may be pricing the railways out of the picture in that it is cheaper to drive a car back than it is to take it back by rail.

1356-F Association maintains that the authorized 21 percent increase has accentuated factory driveaways and vehicle highway transporting to an alarming degree.

1361 Submission by Rural Municipality of Coulee - Witness Mr. Arthur Ward

1362-63 Refers to existing rail line from Neidpath to Swift Current which covers a distance of approximately 30 miles, which line has actually been completed, but has not been put into operation and is not being maintained.

1364 No passenger service at all moves between Neidpath and Swift Current, and passenger trains actually turn around at Neidpath. Freight as well, comes no further than Neidpath, although freight cars may come up the line from Neidpath as far as Nunhan, to pick up grain or bring in coal, if a request is made to the Station Agent at Neidpath. There are no stations or station agents between Neidpath and Swift Current.

Witness also states that they are in a very unfortunate position as far as highway service is concerned in the Coulee area.

1368 Cross-examination of Mr. E.F. Whitmore on behalf of the Associated Boards of Trade of Saskatchewan resumed.

1376 to 78 Witness admits that he may have misunderstood the difference between distributing rates and town tariffs.

1378-79 Statement by Mr. Evans on behalf of the C.P.R. indicates the difference between town tariffs and distributing rates, "Town tariff rates apply between town tariff points. The scale of the town tariffs does not apply between a town tariff point and a point intermediate to two of the town tariff points, and because that is so the normal rate may be higher at the intermediate point than would be the case by applying the town tariff rate. When that occurs, under the ordinary rule that applies in nearly all cases except the case of competitive rates, the lower rate applies as the maximum to the intermediate point. The point made by the witness in the brief was that that was not true of the distributing class rates."

1380 Witness states that what he is complaining about is the difference in the levels of the rates, the quantum of the rates, and also the difference in their application.

1384 Regarding constructive mileage the witness states that it is a theory that he neither supports nor opposes. He goes on to state that his initial feeling is that these rates are thoroughly embedded, and in spite of complaints, it may be impossible to do anything with them.

1387 Witness admits that some commodity mileage rates are lower in the West than in the East, but suggests that in the majority of cases they are lower in the East.

1397 Reference is made to Section 36 of the Railway Act which permits the B.T.C. of its own motion doing anything which can be done upon application.

1418 Witness admits that when referring to the general level of Eastern rates being lower than the general level of the prairie rates that he was not taking into consideration statutory rates on grain.

1419 Witness admits that he also was not giving any consideration or weight to the matter of the densities of traffic in the East compared with the West.

1435 Re: Maritime Freight Rates Act

Witness states that his reaction to this is neutral -- if other interests demand its removal, he does not advocate its retention. He is not demanding its removal and thinks it may be one of those interests which has so long continued that it could not be removed abruptly.

1436 Witness indicates that he would like the M.F.C. to have slightly clearer power than it has now of preventing blanket horizontal increases.

Vol 9

1441 Submission on behalf of Edmonton Chamber of Commerce, Calgary Board of Trade, the City of Edmonton and the City of Calgary.

1442 People of Alberta complained about the alleged irregularities, inequalities and unjust discriminations existing in the Canadian freight rate structure.

1444 Refers to fact that Canadian Railways were national undertakings and that their location was designated by national, imperial and strategical considerations and, that while the railways in tying together the remote sections of the country, were essential to the development of these more remote sections of Canada was not only essential to the whole country but to the railways themselves.

1446 The constant patchwork characterizing the freight rate revisions is detrimental to the best interest of Canada as a whole.

1447 Alberta is fundamentally a raw material producer. These raw materials must seek distant markets where, in competition with areas producing the same product, sometimes under much more favourable conditions, they are price competitive. The total cost of production and transfer in connection with these products is therefore a direct charge upon the producer thereof. If these charges are high, the returns to the producer will be low and consequently the standards of living and indeed, the profitability of all enterprises in the area, will be adversely affected.

If as is the case in Alberta the vast bulk of the consumer and producer necessities must be imported, the cost of that importation will be borne directly by the user.

It is claimed that the Alberta resident pays the freight bill both ways. From this it can be seen that the relative importance of transportation will be great.

1448 Total freight bill for a typical family in Alberta is estimated for a year on the basis of a minimum of $57.21. This figure represents 2.86% of the total income.

1449 In addition the Alberta resident finds a national tariff policy which was designed to compel him to purchase the greater bulk of his required manufactured goods in Eastern Canada. The effect of this tariff policy was therefore to emphasize the geographical disadvantage which he suffered.

Reference is also made here to the peculiar reverence in which the principle of charging what the traffic will bear is held.

1450 The freight rate structure as presently constituted creates regional discriminations and inequalities which bear particularly heavily upon Alberta.

1450 - 1463 Specific Discriminations and Inequalities.

1. That standard scales, certain commodity scales, and distributing class rate scales in Western Canada are higher than those in Eastern Canada.

1456 2. That mixing privileges differ between east and west.

1458 3. That a constructive mileage has been established between Fort William and Winnipeg, and that this places Alberta distributing centres at a competitive disadvantage to Winnipeg.

1460 4. That a transcontinental competitive commodity freight rate structure has been established, and that this constitutes discrimination to the Alberta shipper.

1460 - 1461 5. That the freight rate structure mitigates against certain secondary industry.

1461 6. That the method of establishing proportional rates on international traffic is inequitable. This means that the Canadian consignee is paying the sum of two local rates for what is obviously a through haul.

1462 7. That in some cases Canadian charges are out of line with American charges on similar movements.

1463 Reference is made to reparations on international traffic, and points out the difference in treatment by the I.C.C. and the B.T.C. The I.C.C. has power to award damages - the B.T.C. has not, as there is no provision in the Railway Act of Canada for such procedure.

1466 Reference is made to the control of trucking companies by Canadian railways, and the witness indicates that this development is viewed with alarm. In Alberta where there

is no benefit of water competition, the competition afforded by independent trucking companies is of prime importance from both a rate and a service standpoint. If these competing agencies are to be controlled by the railways, there is a possibility that the Alberta shipper will suffer.

1467 Does not think the railways should be permitted to own trucking services unless these services are distinctly complementary. Recommends that this Commission consider the advisability of making a recommendation which would prohibit general truck carrier operations by the railways.

1481 Submission on behalf of Louis Petrie Limited of Calgary (Wholesale Grocers) - Witness Mr. H.V. Lewis.

1492 Witness suggests that in every case where no lower rate is published, a load of say 60,000 lbs. should automatically carry a discount of 10% from the published rate on a carload of lower minimum. Such a rule as is suggested would substantially increase the average load.

1493 Witness states they are strongly opposed to any increase in minimums greater than 50%.

The present western rules regarding mixing privileges are generally satisfactory and do not cause any hardship.

1494 Objects to transcontinental rate enjoyed by Vancouver and thinks it is grossly unfair that people in Alberta should have to pay the cost of a double haul across the mountains on purchases in the East.

1495 Thinks railroads are entitled to a return on their investment and should be permitted rates which with reasonably good management will produce it. Does not see how maintenance of rates at an artificially low level can be justified, if at the expense of the railways it must inevitably result in poor service. If by way of government subsidy, it is not really a subsidy to the railways but to certain specially favoured users who are thus enabled to obtain service at less than cost.

1496 Submission on behalf of Alberta Co-operative Union Witness Mr. B.J. Bowlen.

1497 Alberta Co-operative Union conducts an extensive distribution business throughout Alberta. In the course of these operations they have found that the present distributing scale of rates mitigates against efficient

distribution to member organizations. Recommend that the distributing scale be used as the standard class tariff regardless of points of origin or direction of traffic. Failing that, the least modification in the present system that would be acceptable is a substantial increase in the number of distributing points.

1498 Feels that the time has long passed when removal of mixing privileges should be ordered, and Western Canada enjoy the same privileges as Eastern Canada.

1499 - 1500 Re Transcontinental competitive commodity rates.

Submits that if the railways can make a profit by hauling canned goods to Vancouver for $822.00, then it is obvious that a charge of $1,440.00 for a lesser distance is unjust. Contrarywise, if the Vancouver rate is not profitable to the railways, the Alberta consumer is providing a direct freight subsidy to the British Columbia resident. In no case should the Vancouver rate be less than the rate to an intermediate point.

Re Railway truck control

Submits that unless it may be conclusively proven that these trucking operations are complementary and not competitive with rail operations, that rail carriers should be prohibited from retaining their ownership or control.

Since Alberta is so far removed from the influence of water competition, anything which might have the effect of limiting the only alternative means of transportation now available, namely, trucks, should not be permitted.

1501 Submission on behalf of Brock Company (Western) Limited (Wholesale distributors of dry goods). Witness - Mr. J. H. Harvey.

1504 In no case should the coast rate be lower than the rate to an intermediate point such as Calgary.

1512 Cross-examination of Mr. Hu Harries re constructive mileage.

"We do not want to deny Winnipeg the benefits of this agreement which resulted in the constructive mileage, but we do believe that there is a discrimination present as a result of that agreement, and that that discrimination can be removed without injuring Winnipeg particularly, and Manitoba generally."

1523 This would involve leaving Winnipeg as it is and giving an increasing effect as you go west. The effect would be the same absolute rate reduction in Alberta as they have in Winnipeg, and the effect would be a larger constructive mileage.

1540 Witness thinks there would be more competition if the C.P.R. was not allowed to run truck lines except such as are complementary or in any event that there would not be any danger of there being less competition.

1545 Cross-examination of Mr. H. V. Lewis.

1551 Does not think that highway rates should be regulated in Alberta.

1563 Thinks mixing rule as it now stands in Western Canada is satisfactory and should not be disturbed.

1567 Cross-examination of Mr. J. H. Harvey.

1571 Witness thinks if the freight rate structure is fair and logical throughout, this matter of the absolute level at which rates must be maintained is something which would be determined under the financial operations of the railway; and any increase or decrease in rates, once you have ironed out inequalities, would be borne by everyone across Canada.

1572 Submission on behalf of Alberta Federation of Agriculture. Witness Mr. J. H. McFall.

1580 Refers to fact that milk production in Alberta represents 9. 7% of Canada's total.

1581 Refers to importance of effecting low cost transportation service to agriculture. The picture insofar as agriculture is concerned in the last twenty years has changed only in that the trend towards specialization and mechanication has become even more pronounced. This has increased the efficiency and volume of production, but it has also left the farmer more vulnerable to fluctuating market prices coupled with comparatively constant cash operating expenses such as fuel, oil, repairs, etc. Transportation rates are also fixed charges in that a large portion of the farmer's produce is sold at some outside point at a price less freight. On the other hand,

the commodities brought into the province must be paid for at a price plus freight charges. Consequently, the Alberta farmer usually pays the freight on both inbound and outbound traffic.

1583 Refers to the vulnerable position of the grain producer and that because of this fact it is not difficult to understand the importance attached to grain rates. The marketing problem of the prairie grain producer cannot be considered a purely sectional matter but is rather one of truly national concern.

1590 - 1591 Submits that there should be an equalization of rates in general across Canada.

Witness states that the effect of higher rates is most pronounced on international traffic entering Western Canada.

On this and all other class traffic moving across the international boundary the maximum standard class rates are charged. These rates are not used to any great extent on local movements in the prairies, and it is submitted that their use on international traffic can no longer be found reasonable. At the very most the rates from the border should be no greater than distributing rates.

Recommends that mixing privileges should be standardized throughout Canada on the basis of the present eastern rule.

1598 Witness is not prepared to include grain rates in the question of equalization recommended by the Alberta Federation of Agriculture.

1600 Submission on behalf of Alberta Dairymen's Association. Witness - Mr. E. Johnstone.

1606 Stresses the importance of dairying in Alberta - says that it is the third ranking industry in province.

1608 Dairy industry depends to a large extent on rail movements for the moving of its surplus production to market and its supplies coming in.

1619 - 1622 Recommendations.

1619 1. A uniform basis for rate-making, from, to and between all sections of Canada.

1619A 2. That the principle of the town tariff as used in central Canada be made available in Alberta.

1619A 3. Zone rates to other zones.

4. That transcontinental rates be made effective on a two-way basis and at same rate either way. That a uniform basis of constructing these rates be adopted. That, as the distance increases a uniform tapering of rate tolls be instituted. That, for very exceptional cases, the rate for a shorter haul cannot be greater for the longer haul.

That the principle of constructive mileages be retained, but that the allowance beyond Winnipeg and Glacier, B.C., be on a percentage basis of any rate affected.

1621 5. That waterborne competitive rates should be established as a compensatory rate, and that such rates be not lower than is necessary to meet effective competition.

6. Export rates should be permitted on a basis of necessity, rather than just because of competing modes of transportation.

7. On agreed charges it should not be necessary to establish actual rate competition in order that a point or points get an agreed charge rate.

8. Recommends subsidization of railways for such time as may be necessary. They are of the opinion that a program such as the Maritimes' 20% subvention may in certain cases be wise and justified, and that this be made available to another part of Canada where conditions are similar.

1622 9. That mixing privileges be the same throughout Canada on the eastern basis.

10. They observe that the B.T.C. has no jurisdiction over the largest single operating expense item of the railways, namely, wages, and they foresee that the decision of some board on wage cost could be made that might create an almost impossible situation for the railways and the B.T.C.

1639 Re Constructive Mileage

Has similar views as Mr. Mu Harries regarding leaving of position of Winnipeg the same, but allowing Alberta the same absolute percentage reduction.

1643 Witness avoids question of statutory grain rates when questioned concerning recommendation on equalization.

1652 Witness does not confine recommendations as to zone rates to other zones to dairy production alone. Thinks it could also apply on equipment and supplies generally.

1653 Re Competitive Rates.

Witness thinks railways would first have to decide themselves if competition was really effective, and then satisfy the R.T.C., but does not suggest any delay in putting the competitive rate into force, and suggests that this would not be fair to cause any delay.

Vol 10

1661 Submission by Alberta Poultry Producers Limited
Witness, Mr. K. V. Mapler.

1662 This industry has developed from a fluctuating sideline to become one of the major branches of agriculture in Alberta. Suggestion is made that the rates paid for egg and poultry movement are deductions from the net return of the farmer.

1664 Suggests that in 1950 there will probably be a reduction in the price of poultry products. Freight and express charges are fixed and thus producer profits will decline, which may cause a reversion to the old and unstable position of production and prices.

Horizontal rate increases tend to weigh most heavily on the distant shipper which is the position of most of Alberta's primary producers. Thus, their transportation costs have risen more than those of their more favourably situated competitors. Suggests that horizontal increase should only be applied if some limit is put on the increases on the longer hauls.

1695 Witness feels there should be some procedure by which industries which feel that they cannot stand a horizontal increase in rates, because they are in a peculiar position, should be able to ask for a review.

1701 - 02 Mr. O'Donnell on behalf of C.N.R. points out that in the judgment of the Chief Commissioner in the 21 percent case reference is made to the fact that there may be some shippers who require special and separate consideration, and that there is machinery for considering a case where a percentage increase might have a result that would be discriminatory. No application has been made by the Poultry Industry in this regard and Mr. O'Donnell indicates that he does not think that any application by any industry has been made to date.

1702 Submission by Lloydminster Petroleum Association -
Witness, Mr. H. D. Watson.

1705 Recommends that immediate relief be afforded to the Heavy Oil Industry by reducing transportation costs to the

Pacific Coast terminals where there is a definite possible market, also to other areas of Canada where imported fuels are consumed in large quantities.

1719 Witness says that industry is now taking the position that it cannot absorb any increase in rate over and above its competitors price delivered by water at Vancouver.

1719A Witness states "Should your Commission, after a thorough investigation of these matters, decide that the railways could not reduce rates to the extent necessary to enable us to reach these markets, we respectfully suggest that you recommend to the Government that assistance be afforded this industry similar to that given the coal industry to enable them to market their products in distant markets."

1719C Submission by Southern Alberta Co-Operative Vegetable Growers Association Limited, Witness, Mr. A. A. Cameron.

1721 Witness states that while Alberta has the climate, the demand and the handling capacity, they have not the co-operation of the railroad companies in granting rates which are fair to the industry or comparable to rates granted in areas of Canada where other modes of transportation are competitive.

1745 Submission by Southern Alberta Sheep Breeders Limited, Witness, Mr. H. B. Benson.

1746 Witness admits that railways must levy rates that will compensate them for their efforts and yield a reasonable profit, but goes on to point out that he feels that on some commodities the rates are too high and that possibly on other commodities the rates are too low, and that when freight rates are reviewed they should not all be considered on the same basis and be given a certain percent boost in tariffs. Suggests that more consideration should be given to the actual cost of transportation and the actual cost of handling certain commodities.

Refers to raw wool as a farm product that costs the producer too much freight and is one product that is very easy for the railway to handle.

1747-48 Refers to difficulty of making up carload shipments for wool at points of production, with the result that wool has to be moved from one point to another to make up carloads. In moving this wool they are required to pay l.c.l. rates from one point to another without being granted a stopover privilege, as is the custom for some commodities. The fact that they have no stopover privileges helps competitive transports to stay in business.

1749 Suggests railroads should furnish decks for shipment of sheep when required and charge a nominal rent for same.

1750 Recommends re-instatement of depressed rate for pure bred live stock.

1752 Witness suggests that it costs the railroads no more to move a carload of freight, whether it has a carload of wool in it or a carload of salt, and thinks that this might be a good guide in testing a freight rate.

1764 Submission by Alberta Provincial Sheep Breeders Co-Operative Association Limited.

This submission raises the same questions previously raised, i.e., objection to the removal of the special rate with regard to the movement of pure bred live stock.

1767 Submission by Federated Co-Operative Services Limited. Witness, Mr. T. J. Purdy. (This organization acts as business managers for 18 live stock shipping associations in Central and northern Alberta).

1770 Witness recommends,-

(1) Class and commodity rates on live stock should be equalized across Canada on the basis of the lowest present rate;

(2) Minimum weights should always be the same in all areas;

(3) Competitive rates should be throughly investigated to check for undue and unjust discrimination;

(4) All rights and privileges should be granted all areas in Canada;

(5) The live stock industry must be considered as a national industry.

1793-94 Mr. O'Donnel on behalf of C.N.R. refers to judgment of Board of Transport Commissioners in the General Freight Rate Enquiry of 1927, as contained in Volume 17 J.C.R.C. at page 309. "The carriers point out that the question of reduced rates is approached entirely from the standpoint of assistance to the live stock industry. They refer to the assistance that they gave to the livestock industry in 1921, following the serious condition existing in 1920 as result of the post-war deflation. At that time the industry was in a very serious condition and effective August 15, 1921, the railway companies reduced the rates on cattle, hogs, and sheep locally in both Western and Eastern Canada by taking off all the increase in rates authorized by the Board effective September 13, 1920, while from Western to Eastern Canada a reduction of 20 per cent was made. This action had the effect of making a greater reduction from the peak level of freight rates in the case of livestock, than has yet taken place with respect to other commodities, except in the case of the Crows Nest grain rates which are statutory. The carriers point out that there has been a marked improvement in the livestock industry since 1921..."

1797 At page 315 the report goes on to say, - "One thing is very clear from the record and that is, there are a great many factors which affect the livestock industry to a much greater extent than the freight rate, as without any alteration in freight rate most marked changes have taken place in the industry and violent fluctuations in price."

1811-12 Mr. R. Harries appears as a witness on behalf of this Association and indicates that the recommendation of the Association for equalization of class and commodity rates on live stock would not include the rate presently allowed under the Maritime Freight Rates Act and points out that they do not look on that as a special rate, but rather are thinking of the Eastern standard rates.

1820 Truck rates in Alberta are not regulated.

1820 Submission by United Farmers of Alberta Co-operative Limited. - Witness Mr. N. F. Priestley.

1832-33 Witness reiterates view that Alberta farmers pay maximum freight charges on goods shipped to other provinces of Canada, and at the same time are confronted with maximum costs for manufactured goods which they import, because of the inclusion of freight charges.

1839-42 Suggests the fact that political considerations are involved in the operation of our transport system. "It has been deemed to be in the national interests that our trade should be with our fellow Canadians to the maximum possible; and we here in the West have been denied access to our natural markets, geographically speaking. Western Canada conversely has been reserved as the big home market for the industries of the East.

These political considerations have resulted in heavy tolls for transportation for our surplus production and for those products of industry which we require to carry on our agricultural and other economic enterprises."

1841 Recognizes that a return must be received by the railways that will make the transportation service profitable and ensure its continuance.

1842 It is not suggested that distance from markets should not be a factor in cost. Realizes that there cannot be equalization in any absolute sense.

Suggests that some formula should be introduced into transportation charges that has regard for the political considerations which have been referred to, subtract a percentage of the operating costs entailed by unprofitable miles traversed between Sudbury, say, and the head of the lakes, and cover that deduction by subsidy from the National Treasury as long as such subsidy can be shown to be necessary.

1843 & 44 Refers to the importance of freight charges as a factor in cost bearing heavily in Alberta at the apex of the structure on the farm population and the Alberta consumer in general.

1855 Witness admits that the West has had some benefit of the water competition in the East.

1865 Submission by Pure Bred Live Stock Association. Witness Mr. H. Salter.

1867 Objects to removal of Pure Bred Live Stock rate and recommends that this type of tariff which goes on from year to year and not be eliminated without the organizations interested being contacted before the rates are removed.

1895 Mr. Frawley on behalf of the Province of Alberta points out that their submission is that there should be some control by the B.T.C. over an expiry rate or a special concession rate which has been in the industry in the structure for 20 or 30 years.

1896 On being questioned by Commissioner Angus whether, as a matter of permanent policy, the initiation of rates of this type which are made to build up an industry, should be a matter for the commercial judgment of the railways, or should be initiated by some other procedure. Mr. Frawley states that there should be a very close and definite control by a regulatory body.

1896 Submission by Western Stock Growers' Association. Witness Mr. K. Coppock.

1901 Suggests that as far as the cattle industry is concerned rates should be based upon a long time average price level.

1902 Such a rate should be high enough to properly reimburse the railways for their services in hauling the cattle, but should not be so high as on one hand to be detrimental to the long time interest of their shippers and on the other hand to invite the loss of the business to truck competition.

1903 Suggests that to raise rates further would greatly undermine the long term position of the industry and drive cattle men even more to the truck with which to accommodate transportation needs.

Vol 11

1916 Statement by the Honourable E. C. Manning, Premier of Alberta.

Suggests that the permanent removal of the objectionable conditions to the freight rate structure demands a completely new approach to the whole matter of transportation pricing, and a re-appraisal of inter-regional economic relations.

1918 Notwithstanding the diversification of production, Alberta is still primarily an agricultural province.

It is a land-locked, non-competitive area specializing in agricultural and raw material production. Freight hauls are long on both inbound and outbound traffic.

1919 Alberta does not propose a "postage stamp" concept nor similar proposals that seek to eliminate completely the distance factor.

With regard to the development of the St. Lawrence Seaway as a national project, Mr. Manning states that Alberta is entitled to expect that certain benefits will accrue to it. If Federal policy is limited to undertaking the construction, however, there is the danger that this national project will become in effect a regional one.

1922 Refers to the Crows Nest Pass agreement and points out that it is essential that this long-established and basic element in the Canadian economy should be preserved.

1922 In connection with the coal mining industry, he points out that transportation costs have been the limiting factor in this development.

1923 Mr. Manning refers to the national policies and states that historically the economic policy of the Government of Canada has included the following three important objectives:

(1) The settlement of the west and development of its vast resources for the good of Canada as a whole;

(2) The construction and use of all-Canadian transportation routes; and

(3) The protection and development of Canadian industries.

1925-1926 Does not think that the benefits received by Western Canada, if any, have been proportionate to the contribution made. One reason for this result is that too many national policies have been permitted to work themselves out without attention being paid to their regional effects.

The tariff policy has encouraged the movement of traffic from East to West. This traffic is highly beneficial to the transcontinental railways and to Eastern industry. But it is equally true that another result of this policy was to make it more burdensome for Western Canada to buy in the American market.

1927 Mr. Manning observes that trade, industry and railway transport are concerned, quite naturally, with making the biggest profit on their national operations as a whole. Regional policies are made subsidiary to the needs of the whole organization. In the case of public utilities of the extent and importance of the transcontinental railroads, he seriously challenges the wisdom of allowing such national policies to take their course unimpeded.

1931 If rates are kept lower because of such factors as local unit costs and local traffic densities, that alone will attract more traffic by creating more favourable conditions for the location of industries. Conversely, in Western Canada unfavourable conditions are compounded. High freight rates discourage industry. Lack of industry results in lower local traffic densities and higher unit costs.

1939 The factors which have hindered the removal of long-standing regional grievances are:

(1) Failure to appreciate the fact that the basic structure of the Canadian economy has been moulded by national policies; and

1929 (2) Confusing the consequences of those policies with the results of freely functioning economic laws.

1930 Suggests that this Commission should not regard as of binding force either the existing legislation or the pronouncements of the regulatory body created by such legislation.

He is of the opinion that transportation policies should not necessarily accept conditions as they are, but should be designed to ensure an essential equality of conditions for economic enterprise insofar as man-made conditions are concerned. That proposition does not require the equalization of geographic conditions but it does involve the removal of differences that have arisen because of other than geographic conditions.

1933 Statement by Professor Andrew Stewart of the University of Alberta on behalf of the Province of Alberta.

Mr. Stewart's statement deals with transportation and resource use in Alberta.

1935 Reference is made to Part three of his statement, in which he points out the intimate, two-way, relation between investment in transportation facilities and resource development, and submits that investment remains a factor capable of inducing expansion to the benefit of the carriers and of the country as a whole.

In Part four of his statement he submits that the aggressive policy directed toward resource development is essential to meet the long-range problems of adjustment imposed upon us by a changing world. He expresses confidence that the resources of this province of Alberta could make an important contribution to an expanding national economy, and to the revenues and returns of the freight carriers.

1944A He refers to certain consequences of national policy detrimental to the economy of the Province of Alberta and in their view, obstructing the development of resources within this Province.

The first is that the Province of Alberta has been created "without an integrated, balanced economic structure"; the structure of the economy of the Province of Alberta rests on an unstable base of primary, competitive industry dependent on distant markets. The second broad consequence is that, being insulated from factors affecting railroad rates in other parts of the Dominion, the region of which Alberta is a part is peculiarly vulnerable to the application of the monopolistic principle of "charging what the traffic will bear."

1945-46-47 He refers to certain relevant features of their economy which derive in large measure from the position of the province in the national economy.

a) In the long-run, the per capita income of persons engaged in primary, competitive industry is relatively low.

b) Dependence on primary industries results in substantial seasonal irregularity in activity, employment and income.

c) Primary industries are peculiarly subject to year to year irregularity; and instability generated in these industries has pronounced repercussions in the dependent urban communities.

d) Economies dependent on agriculture, and other primary competitive industries, are highly vulnerable to the consequences of irregularity in employment and income in urban industry.

e) Dependence on distant, and external, markets creates its own problems, and structural changes in market areas frequently call for intolerable adjustments. Changes in price initiated in the consumers' market are reflected in marked fluctuations in the price to the producer.

1948 The general effect of the isolation of Alberta from factors affecting transportation rates has been to make it possible to sustain railroad rates at relatively high levels. Indeed, only where the national interest appeared most seriously affected, namely, in the case of grain rates, has significant relief from the condition of high rates been secured.

1949 Initially, it was possible to justify high rates in Alberta on grounds of limited traffic and revenues; it was possible to maintain high rates because of the absence of alternative means of transportation. The justification for high rates no longer exists. While there has been a trend towards equalization of rates, nevertheless, the fundamental disparities of the original structure have not been completely eliminated.

Alberta wishes to emphasize the detrimental effects of high railroad rates both in and out of the province in general on the use of resources in Alberta.

1957 submits that the contribution of government to transportation development has been among the bold and far-sighted policies consistent with the purposes of the Dominion, and remains a potent instrument in stabilizing the national economy and in developing the expansion of resource use of which this country is still capable.

1961 Suggests that the interests of the carriers of the province and of Canada, would best be served if raw material production in Alberta were associated with local industrial expansion.

1962 Refers to desirability of expansion of exports to the United States and suggests that Alberta bargaining position is in some respects stronger than it has been heretofore.

1963 Believes that the solution consistent with the interests of the railways and of the country, lies in increased production and exchange of commodities. To this end Alberta suggests the development of the resources of the province can be made to play a conspicuous part.

1964 Witness points out that he is not advocating subsidies, but that if subsidies are considered, they should be made in a particular way, that is to contribute to the development of resources.

1966 Witness agrees that his idea of the solution of the railway problem is increased traffic.

1967 Mr. Evans on behalf of the C.P.R. refers to the figure $4,000,000 as being the amount required on capital account within the next five years for the C.P.R. to modernize and to increase capacity and so on for handling of traffic more expeditiously.

1971 Witness points out that in his opinion the whole structure of the Alberta region, transportation and resource development, would have been entirely different from what it now is had the influences of the north-south pull been permitted to determine the character of this economy.

1986 Witness points out that if there had been an integration between the economies of the United States and Alberta, there would be a different set of circumstances on both sides of the border.

2026 Mr. Covert asks the witness whether he is suggesting that the governments and the railways should proceed to develop the resources of the region so that there will be more business and the rates kept low, or whether he is suggesting that the rates should be kept low so that the resource use will be developed. The witness replies that

2024 His emphasis is on the first point, that in fact the development of resources, and a high volume of business for the carriers, will itself help to maintain low rates. He goes on to point out that his argument is that general government policy should be such as to facilitate resource development.

2033 Submission by Alberta Forest Products Association.
Witness - Mr. A. T. Denison.

2038 Refers to fact that local market for lumber is insufficient to absorb Alberta production, with the result that markets in the other prairie provinces and in eastern Canada are of crucial importance to the industry.

2039 Witness refers to their transportation needs as follows:

1. A level of rates low enough to enable them to reach markets outside the province.

2. A carefully adjusted rate structure to provide for newly established shipping points and to preserve competitive relationships between mills.

2043 Witness claims that the principle of greatest relevance to their situation is that of the equality of rates as between different regions of the country. Submits that the present differences are unreasonable, and further submits that the Western lumber rate structure should be consolidated on a single basis which would preserve the geographical advantages of all points and preserve fair competitive relationships.

2059 Submission by C. A. Carry Limited,
Witness, Mr. C. . Carry.

2062 Witness submits that in no case should the shorter haul be charged more than the longer haul over the same route.

2064 It is pointed out to the witness that the reason for the lower rate from the east to Vancouver is based on competition, or potential competition, via the Panama Canal.

2073 Submission by Great Western Garment Company Limited. Witness - Mr. H. M. Roscoe.

2075 This submission also is to the effect that in no case should the shorter haul be charged more than the longer haul over the same route.

2076-2077 Witness agrees that immediate revision of the rate structure would be too revolutionary and too upsetting to industry as well as being very difficult to apply.

2077 Submission by Blowey-Henry Limited. Witness Mr. C. V. Cairns.

2079 This submission also deals with the basic principle that the intermediate rate must never exceed the rate to a further point. The submission also suggests that the competitive conditions in existence at the time of the establishment of the transcontinental rates and which served to justify them originally, are no longer in existence and that their continuance today is not justified.

2085 Witness states that he does not believe the railways should be allowed to establish rates to meet potential competition when such rates would result in a loss to the railways.

2086 Witness qualifies this answer, however, by expressing the view that the railways should be the best judge of whether they should or should not meet competition.

2086 Submission by Dower Bros. Limited. Witness - Mr. A. A. Holt.

2090 This submission also deals with the long haul - short haul principle and recommends the elimination of this type of unjust and undue discrimination which presently encompasses distributing activity out of Edmonton.

2092 Submission by Western Supplies Limited - Witness Mr. H. B. Armstrong.

This submission also deals with the long-haul - short haul principle.

Vol 12

2104 Submission by B. C. Latta Limited. Witness - Mr. D. W. Dworkin.

2105 Submits that the longer haul over the same route should never be charged less than the shorter haul.

2106 Submission by Macdonalds Consolidated Limited. Witness - Mr. H. W. Maddison.

2107 Submits that the present mixing arrangement is satisfactory and in the best interests of the people of Western Canada and should not be altered.

2109 Also submits that longer haul should not be charged less than for shorter haul.

Is in favour of reparations and submits that present situation whereby no reparations are authorized is unreasonable.

2110 Mr. O'Donnell on behalf of C.N.R. points out that it is not possible for a Vancouver shipper who gets the benefit of the transcontinental rate to ship into Edmonton and be able to compete with the Edmonton shipper who has imported his product from the east. He points out that in fact there is a differential in favour of the Edmonton man on such a shipment.

2111A Submission by Gainer's Limited. Witness - Mr. Walter Neale.

This submission is primarily concerned with recommending detailed changes to specific rates.

2129 Refers to powers of the B.T.C. and the fact that on numerous commodity rates and competitive rates, the railways have practically absolute power.

2130 Suggests that it might be advisable to give consideration to the setting up of a branch of the B.T.C. dealing exclusively with research on freight and express rates and classifications.

2132 Witness thinks that distance alone should be the governing factor for the basis of rates. He goes on, however, to point out that there would be in addition commodity rates and competitive rates on a proportionate basis.

2168 Witness thinks that if the railway chooses to meet competition at one point, that it should be compelled to give that competitive rate to all other points whether there is competition there or not.

2170 Witness points out that on the basis of the present rates it is cheaper to ship livestock than meats.

2171 Witness feels the rates on livestock and meats are too far apart and therefore that encourages the packing house industry to be built up in the larger centres.

2172 Suggests a thorough examination of the existence of the Panama Canal competition and its effect in setting transcontinental rates. Feels that competition is non-existent in many cases.

2175 Suggests equalization of rates and that rates should be the same all over Canada.

2176 Qualifies this statement by suggesting that the basis of equality would disappear if it becomes necessary to encourage an industry in a place which is considered to be the logical place for it to be encouraged or set up. In this regard he advocates that special lower rates on meat on the basis that Alberta is an agricultural province and that the packing house industry should be encouraged in Alberta as a secondary industry.

2180 This would mean a heavier processing in Alberta of their natural secondary industry.

2192 Submission by Waterways-McMurray Chamber of Commerce.
Witness - Mr. Donald McKay.

This brief submits:

a) The lowering of rail and air rates between McMurray and Edmonton, and

b) The building of a road which would give McMurray an outlet to the outside for trucks and cars.

2200 Submission by Alberta Associated Chambers of Commerce and Agriculture. Witness Mr. James Martin.

2210 Recommendations,-

1. Suggests that freight rates within the province should be established on the basis of complete uniformity, one community to another, and adopting the same principle and rates as in the town tariffs.

2. That rates should, as nearly as possible, be on an equal basis between all competing communities in Alberta for one market and on a competitive level with other provinces competing in the same or similar markets.

3. That every consideration be given Alberta in the matter of export rates.

To accomplish the above they suggest:

a) A more uniform basis of constructing rates;

b) That these rates be effective on a two-way basis;

c) A uniform tapering of rates;

d) Except for very exceptional cases the rate for a shorter haul should not be greater than for a longer haul.

2247 Submission by Husky Oil and Refinery Limited. Witness, Mr. F. Ainsworth.

2253 Believes that the best interests of both the coal and oil industries will be better served if surpluses of the Lloydminster crude oil and refined products are permitted to move away from the narrow industrial confines of the prairies.

If the market for crude oil and products is to be enlarged the oil must be moved by rail and at transportation costs which will permit it to compete with foreign imports.

2257 Suggests they need a rate or subvention that will permit them to move oil at $7.00 per ton to Vancouver.

2258 Refer to one oil rate which they consider discriminatory - this is the rate from Montreal to Fort William which they suggest is probably based on water

2258 competition. They do not think, however, that water competition for this product actually exists, unless the product is put in drums and that the high cost of packaging the asphalt in this manner eliminates water transportation as a competitor.

2259 This submission is a plea for some plan of equalization which would permit the marketing of crude petroleum, and the products manufactured therefrom, at Lloydminster, in areas now using imported production.

2261 Submission by Grande Prairie Co-Operative Livestock Marketing Association Limited. Witness - Mr. Hugh Allen.

2263 Refers to fact that there are many times on the Northern Alberta Railway when cars cannot be secured or when only a fraction of the number that have been ordered by the shippers are available.

2264 Suggests that the N.A.R. insofar as stock cars are concerned appear to be a sort of "poor relation" to the other railroads and that it only gets its cars after the others have their quota.

Vol 13

BRITISH COLUMBIA

2296 Statement by the Hon. Gordon Wismer, Attorney General of British Columbia. Suggests basic problem is of two parts. First, how to provide adequate transportation by the various means available at a minimum total cost; and secondly, how to apportion the cost among the various users of transportation service in the most equitable manner.

2300 Statement on behalf of the Provincial Government by Mr. J.E. Brown. B.C. brief deals with the following topics as they relate to the overall problem:

(a) The trading characteristics of the region.
(b) The overall burden of transportation.
(c) The distribution of transportation between agencies.
(d) The present methods of pricing rail transportation.
(e) Alternative methods of pricing transportation.
(f) Proposals recommended.

2314 B.C. depends for much of its cereal foods, as well as for meat, butter and cheese, upon other parts of Canada - principally the Prairies. From the same source, also, comes much of the poultry and livestock feed. B.C. looks to other sections of Canada, chiefly the central Provinces, for iron and steel, motor cars, household appliances, machinery and textiles. B.C. supplies other regions of Canada, as well as the United States, with such products as apples, fish, fertilizers, lumber, newsprint and refined metals.

2315 Offshore trade is not dissimilar to the overland trade but in addition there is a fairly large volume of wheat and flour originating in the Prairie regions. Inbound there are such things as petroleum and petroleum products, sugar, tea, copra, etc.

2316 Most, if not all the traffic is created by geographic necessity and represents a regional distribution of labour based upon natural advantages. Therefore, only under the most urgent necessity could this trading pattern be changed and then only at a decided loss to the region.

The Province is rather unfavourably located geographically, having regard to the pattern of trade which it must follow. Most of the basic foods and much of the manufactured goods must be brought in from a distance. Likewise, the markets for the exportable surpluses are all at a considerable distance, of which probably one-half are world markets subject to the full force of international competition. To some degree the disadvantage of the long rail haul from Eastern Canada is mitigated by a cheaper water route, but to what extent is largely a matter of opinion.

2321 On the Pacific Coast, water transportation largely complements rail and road rather than supplementing them as in Central Canada. Hence there are no economies resulting from a division of effort. The rugged terrain imposes severe limitations on the use of motor carriers. Highways can only be provided at a very high capital outlay, an extra cost which must be borne either by the taxpayer or the shipper or both.

2322 Suggests that railways have a monopoly on transportation and are therefore able to break up their market into sections and to charge different rates in different sections for essentially the same service. As a consequence those areas which enjoy conditions of competition usually obtain much [illegible] than do those areas which are not so

Cost of service principle

2323 Refers to thesis of Professor W.T. Jackman, who claims "that about 55% of the operating expenses of railways are constant and go on despite the changes in the amount of traffic carried." From this it follows that traffic which contributes a portion, no matter how small, to overhead costs reduces by that amount the overhead costs which must be borne by the remaining traffic. Witness suggests that working out of this theory has resulted in B.C. paying higher rates than Ontario for nearly all traffic. Intermediate

2324 Suggests there is a difference of opinion about the portion of total operating costs which must be treated as constant and points out that while the acceptance of engineering standards of maintenance would place a large portion of operating costs in the fixed or constant category, in actual practice the railways do make their costs vary almost completely with the volume of business. Witness states that much of this belief in the theory of high constant costs has been supported by too close attention to the month to month operating results and a neglect to examine the long run results.

In support of this unorthodox position witness refers to Professor J.M. Clark's "Studies in the Economics of Overhead Costs."

2326 Refers to statement of Professor Clark: "Operating expenses vary with volume of traffic, and vary just about half as much as traffic does. In other words, the figures bear out the generally accepted formula, showing that 'half the operating expenses are constant and half variable,' for these month-to-month fluctuations, but for no other type of movement."

2334 Witness also refers to Professor K.T. Healy in support of this principle: "The analyses further point to the fact that, under present conditions, costs are made to vary closely with the volume of traffic handled, except when especially light densities are involved ... It follows that the bidding for competitive or additional traffic by quoting low overload rates based on variable costs may easily prove to be unprofitable because the cost of handling the added business is apt to be far more than an estimated 50 per cent 'out-of-pocket' cost."

2335 "The implication is rather that under present conditions of maturity, most main line railroad facilities, and the operation thereon have had a chance to become closely adjusted to the density of traffic handled and the revenue derived therefrom, so that average unit costs tend to be nearly uniform over a wide range of densities and the costs of handling additional increments of business are not likely to be much below the average costs."....Suggests "there are certain factors affecting cost which the older theory failed to recognize. These factors are, first, the ability of management to vary standards of physical facilities and service over a wide range to meet the needs of different densities; second, the general tendency for heavy density traffic to be in the more densely settled parts of the country with consequent higher costs and demands for higher standards; and third, the development of an ability on the part of management to keep expenses, even of the supposedly fixed type, in close relation to revenue, which is in general a function of density."

2340 Witness suggests that generally speaking operating costs of the railways vary almost directly with traffic when other factors such as technological improvements and changes in the price level are excluded.

Price level

If the present pricing is accepted as valid, it appears to create two dilemmas. First, there is produced a series of regional differences in rates which can hardly be considered anything else but discriminatory. Furthermore, there seems no basis for rectifying this discrimination short of the introduction of some sort of federal subsidy in favour of the injured region. Such subsidies, however, open the door to considerable regional pressure, inter-regional bad feeling and may at the same time result in distorting the economic development of the country. Secondly, there is the problem of determining the most economic means of transportation among the four or five agencies that now exist. For example, on a basis of average costs, it may be more economical to move certain traffic by truck than by railroad, but because of the extensive area served by the railways they may be prepared to move this bit of freight at considerably less than average cost, knowing that what they lose here they may make up somewhere else in the system, in this manner forcing out of business the better carrier.

If the premise is accepted that the fixed or constant costs of railroading are a relatively small fraction of their total operating costs one can no longer, on this basis, justify the wide differentials in rates that are evident in the present rate structure. Witness therefore supports the cost-of-service principle and suggests that the application of this principle would tend to eliminate the present differential pricing and at the same time apportion the traffic between the various agencies in accordance with their most economic use.

2342 B.C. advocates the application of the principle of pricing all forms of transportation on the basis of cost of service rather than value of service. B.C. thinks that the adoption of such a practice would result in substantially uniform rates throughout Canada, and suggests that when all cost factors are taken into considerartion, it is usually found that there is no great difference in unit costs between regions, and that management can under the force of necessity do much to equate costs with revenues, section by section.

Refers to the fact that B.T.C. has exercised control over maximum freight rates but has given little or no supervision to minimums.

2343 Suggests that before a new rate is initiated or an old rate changed, particularly of the "commodity" or "competitive" type, the railways satisfy the B.T.C. of the necessity and profitability of any such proposed rate. B.C. does not believe that once favourable rates have been given to a locality or to an industry that these should be suddenly and capriciously taken away, and that this practice introduces an unnecessary element of instability into the business structure of a community.

2345 B.C. advocates elimination of differences in mixing privileges between east and west.

B.C. recognizes that any sudden change in the present rate structure would create major dislocations in industry and therefore that the implementation of any new principles must be undertaken in a slow and gradual manner.

2350 B.C. is of the belief that motor carriers, through the heavy license fee and by means of the gas tax, are paying their proportionate share of the cost of construction and maintenance of the public highways and that in consequence, no major item of cost is omitted.

2352 and

2352 and 2353 — Refers to expenditure of Federal money in establishing an extensive canal system in central Canada. Suggests this introduced an element of unfairness to other regions in that the central provinces not only enjoy any natural advantages attached to this means of transportation, but also have had lower than normal rates from all forms of transportation because of this subsidization of the inland shipping.

Witness suggests that where in the national interest it is necessary to subsidize an industry this should be done by some means other than through adjustments in freight rates. In the opinion of B.C. it is unsound and unfair to require one group of shippers to subsidize another group as obtains under the present rate structure.

2359 and 2360 — Mr. Shepherd on behalf of the Province of Manitoba refers to previous rate cases and evidence as to traffic density. In particular, to evidence of Mr. Newman of the C.P.R. who in the Twenty per cent case indicated that traffic density in Canada was roughly 50% of that in the class 1 United States roads.

2375 — On cross examination witness admits that it is the view of B.C. that there should be mile-for-mile parity in the class rates.

2381 — Witness agrees that in a broad way he has endeavoured to show that lower costs does not necessarily follow greater traffic density.

2383 — Witness agrees with the proposition that rates must not be made on the basis of regional costs.

2385 — Witness agrees that what he means is that if you do not accept the soundness of the proposition that regional costs should not enter into the making of rates, then you must go to a subsidy.

2399 — Witness agrees that the difference between what the present rate structure amounts to and what B.C. proposes is that they would give no value to the value of service and that they would lift what is now perhaps a proportion of cost factor into the hundred per cent.

2418 — Witness agrees that it is very difficult to apportion common costs.

2432 — Dr. W.A. Carrothers, Chairman of the Public Utilities Board of the Province of British Columbia, called as witness.

2433 — Refers to section 7 of the Motor Carrier Act - "Public Convenience and Necessity".

2434 — Also refers to section 38 of the Motor Carrier Act - "General Supervision of Motor Carriers".

2436 — Rates are filed in general with the Commission. The Public Utilities Board have one or two prescribed rates, but in general they are filed by the carrier. In general they try to get the carriers together in a common area so that they agree on a common tariff.

They attempt as far as the data permits to agree on and believe that that should be the basis of the tariff.

2437 and 2438 — To a certain extent the trucking industry in B.C. is competitive with the railways - where there are roads parallelling the railways, but over the larger part of the Province there is not any competition.

2439 On being questioned regarding C.P.R. owning truck lines witness explains that before the C.P.R. could directly get a license they would have to show that they were carrying the goods partly by rail, and that the trucking was complementary to or co-ordinated with the rail service and was designed to give more efficient service than could be given by rail alone.

Witness states that in B.C. they have not found any real difficulties with regard to interprovincial trucking.

2440 The four western provinces hold a conference every year for the purpose of discussing matters in common and these meetings to some extent have been effective in producing fairly similar regulations. The difficulty is that Alberta's policy is much less strict than that of B.C., Manitoba or Saskatchewan.

2443 Witness refers to procedure on filing of rates. The first th ng that happens is that the carrier makes an application for filing. Then if the Public Utilities Board approves that rate for filing, that becomes the legally chargeable rate and the only legally chargeable rate for that carrier.

2456 Refers to fixing of rates on motor carriers while they are in competition with railways and states that if the rates were such as to make it impossible to carry out its necessary functions as a carrier, then the Public Utilities Board of B.C. would certainly not allow the carrier to injure the railways in the matter of giving efficient service to the public. This is the principle which the Utilities Board applies.

Vol 14

2467 Mr. W. Brown, Superintendent of Motor Carriers, called as witness.

2471 Refers to system of using inspectors and points out that an inspector does not only have one licence district in his area but has several and that generally speaking they have an inspector for each area.

2472 In Vancouver they have eight field inspectors.

2473 B.C. does not use certificates of public convenience and necessity - they do not have P.S.V. licences - they have a motor carrier licence which is not to the firm doing business but is to the vehicle which is licensed. Under this system, therefore, it is possible that one licencee could hold possibly 50 licences, because he has 50 vehicles. There is a condition of licence issued with the licence slip and this specifically ties down the carrier to exactly what he may do.

2474 The territory in which the vehicle is to operate is also described on the conditions of licence.

2476 In particular cases the licence on one vehicle would make reference to all of the routes on which a particular licencee is qualified to operate.

2482 Types or classes of licences.
(1) Public passenger licence - this licence is over a fixed route on a fixed time schedule and the licencee may not do any other business except over those routes and on those time schedules as fixed and accepted by the motor carrier branch.

(2) A limited passenger licence - this is one which does not operate over any fixed route or time schedule but has freedom to operate as required within an area. It is designed and used to take care of public business such as charter trips, parties, etc. It cannot compete as such with a public operation which caters to the public, which may stop and pick up the general public for a fare on a per head basis.

With bus licencees, bus companies, etc. they have a combination licence which is both a public and a limited passenger vehicle licence.

2433 The same breakdown applies in the case of freight vehicles. (1) Public freight operator
(2) Limited freight operator

2434 A public freight operator is licensed to operate in an area when and as the public require him - he hires his vehicle as a whole to the public - he does not file class rates - he has tonnage rates filed.

2435 A limited freight operator or carrier is in fact a contract carrier.

There are two classes of private operators. A private operator is a person who owns his own truck and carries his own goods. The first category of this type is a farmer's licence, although it is actually a private vehicle licence.

2436 Apart from the farmer there are business firms which own their own trucks and carry their own goods - B.C. looks on this transportation as purely incidental to its main business.

2437 In obtaining a licence the first step is for the carrier to make an application to the motor carrier board.

2438 This application is then investigated from the point of view whether there is need for the service - whether other carriers are in the area already giving the same type of service.

Interested parties are served with notices of this application - this includes railways where they are affected.

2439 If other carriers are affected to any degree a public hearing will be held on that particular application.

Licences once given are generally renewed from year to year without inquiry unless the situation is changed.

2440 The verbatim minutes taken at all hearings are forwarded to the Public Utilities Commission with the recommendation that the licence be either approved or denied and the Commission then makes its decision on the facts which it has before it.

2441 Motor Carriers Board does not fix rates. The onus of filing a tariff is originally and basically on the shoulder of the carrier.

2442 The Carrier Board tries to decide in general terms whether the charges that the carrier is applying to make would be reasonable in so far as the public is concerned. The Motor Carrier Act is primarily designed as a protection to the public - main question under consideration is always whether it is a fair and just charge to place upon the public.

2443 In B.C. they include the overall picture of the value of service - the whole cost of the concept of service proposed to be given to the public.

2501 In a period of falling costs the Carrier Board would take the initiative in asking carrier to reduce his charges.

2502 The Board does not become embroiled in labour difficulties.

2503 Once a tariff has been filed and accepted it becomes the only legal charge that the carrier can make for the service he is rendering.

2510 In inter-provincial traffic the policy followed by the B.C. Board is that in so far as the B.C. part of that haul is concerned, the traffic would have to be carried by the rate which was approved by the B.C. Board.

2518 Witness is of the opinion that rate cutting and unbridled competition between carriers eventually means that the carriers become insolvent - cannot maintain their equipment - cannot maintain the service they offer to the public and eventually the public suffers by getting a very indifferent service or perhaps no service at all.

2519 If the public are receiving adequate service from the railway there is no need for additional trucking service over and above what they already have. The B.C. Board would hesitate to grant an additional licence, and if they did deny it, that condition would be so stated.

2523 Witness states that it is his understanding that Dench of Canada is wholly owned by the C.P.R. and is engaged in trucking service parallelling the lines of the C.P.R.

2529 Canadian Freight Classification was found to be somewhat cumbersome and truckers in B.C. have introduced a classification of their own which is essentially and basically the Canadian Freight Classification but somewhat more simplified.

2530 Motor Carrier Board in B.C. would not permit a licensed carrier to refuse to carry traffic.

2541 and 2542 The experience of the B.C. Board is that when tariffs are filed by motor carriers there is not generally much difference in what the motor carrier rate is and what the railway rate is.

2542A The B.C. Board always has in mind restricting competition to such an extent, or limiting it, so that it cannot be ruinous.

2543 By and large there is competition for freight as between motor carriers - by and large there is no monopoly.

2548 There has not been any great tendency towards amalgamation of trucking companies to form a larger trucking company.

2551 Mr. Brazier, on behalf of the Province of B.C., states

"The position which British Columbia will take on the question of geographic disadvantages is, in our opinion, that we must accept them as they are, and that all parts of Canada must accept their geographic position. And we have attempted in our brief merely to set forth what our geographic advantages are; and we will say to the Commission that: If geographic disadvantages in other parts of Canada are to be taken into consideration, then there are geographic disadvantages on our part to which consideration should be given. But we are not asking the Commission to give any weight to them."

2564 Witness Mr. S.K. Jackson.

Understands that the following trucking companies are owned by the C.P.R.:

(a) Island Freight Lines Limited
(b) Okanagan Freight Lines
(c) Dench of Canada.

2566 Witness states that in the course of his examination of the proposed rate of the trucker, he is naturally concerned with what rate applies via other services, and that he makes it a point to discover what the railway rate is for purposes of general knowledge of why the particular rate is being proposed.

2567 Witness says that what he is more concerned with is whether the rate which the motor carrier proposes is sufficient to pay his or other comparable carriers', who have similar types of equipment, cost of operating between the two points in question.

2573 Witness says that he cannot think of a single case where a complaint arose from a shipper offering freight to a carrier who had turned it down.

2576 Reference is made to the motor carrier report which motor carriers file with the Board and the list of operating expenses contained on such report. The detailed list of items appearing on the report are referred to at page 2576. These are summed up as total expenses. These are the expenses which are taken into consideration in determining the cost of service.

2581 Mr. J.E. Brown, on behalf of the Provincial Government of B.C. recalled as witness.

2584 Mr. O'Donnell, on behalf of C.N.R., suggests that reference to B.T.C. before a new rate is initiated or an old rate changed would tend to slow up transportation and the handling of commodities.

2597 Mr. O'Donnell asks witness if there were no water competition would he concede that the rate should be removed and witness replies that in time the rate should be removed but that the main question is the timing of such a change and that violent fluctuations should be avoided.

2618 and 2619 Witness asked whether the views he is expressing meet with the approval of the B.C. shippers, particularly as regards their suggestion that all rates before being changed or new rates initiated should first be referred to B.T.C. Witness replies that he cannot speak for the shippers and that they will have to speak for themselves.

2628 Witness is questioned on the statement appearing in the B.C. brief which is as follows: "Through the heavy licence fee and by means of the gas tax (motor carriers) are paying their proportionate share of the cost of construction and maintenance of the public highways."

Witness explains th t he is trying to suggest first of all that the total revenue covers the total cost of the main highways and that by total revenue he means the total revenue for all motor vehicle users.

2638 Witness admits that the cost of service principle as advocated by B.C. would be very much damaged if it were demonstrated that the fixed items were of a much greater percentage than Professor Healy suggests - that is, if it were demonstrated that management could not control these as he suggests they can be controlled as related to the volume of traffic.

2692 Vancouver Board of Trade, Mr. T.C. Norris, K.C. witness.

2693 Points out that submission now may be regarded as preliminary in nature and as an opening to further submissions to be made by it at later hearings of the Commission.

2696 Recognizes railway systems require adequate financing and that as a matter of principle this should come from proper revenues to be obtained from the traffic they carry and not from government subsidized rates. Submits, however, that with reasonable provision for revenues goes a corresponding responsibility for efficient service and economic operation.

2697 Suggests consumers in other parts of Canada pay relatively low freight charges on imports from Eastern Canada. This means therefore that B.C. is expected to indirectly subsidize exports to Eastern Canada, purchase a large portion of the manufactured requirements from Eastern Canada, and actually finds it necessary to sell the major portion of its own produce on other markets.

2698 and 2699 B.C. to a large extent is undeveloped therefore effects of freight costs more severely felt by smaller communities in the process of development than by the Provinces of Ontario, Quebec and Nova Scotia, where there are many small and medium-sized communities which through the years have had time to develop local industries able to distribute their products throughout Canada. Their ability to make such distribution has been largely due to the existence of favourable railway rates.

Suggests unsoundness of flat percentage increases.

2700 It is important that on all rate applications the broad Canadian picture be considered, not only in support of the claim of the transportation companies but as affecting directly or indirectly the "well-being of all parts of Canada."

Suggests consideration be given by Commission to establish basic freight rates for all Canada. Board of Trade, however, is not prepared to make a definite submission in this connection at this time.

2701 Efficiency of and economy in operation of railways. Suggests that continuing stability of financial position of transportation systems should not depend entirely on rate increases but also on extended services and efficiency of management and operation, particularly in the matter of modernization, to bring them additional revenue.

2703 Suggestions as to improvement in efficiency of operation and opportunity for saving.

(1) Necessity that railways effect savings in freight car transit time.

2704 (2) Economy in Car-saving space.

2705 (3) Pooling of passenger traffic.

(4) Pooling of freight traffic.

2706 Regarding statutory rates - in principle the Vancouver Board of Trade is opposed to sectional benefits which it is difficult to justify logically and which are always sources of discontent in parts of Canada other than those which are not directly affected by such benefits - benefits for which it is difficult to make proper compensation in the all-Canada rate structure. In any event, the granting of such benefits by Statute is deprecated. It is submitted that all rates should be subject to review by the B.T.C.

2707 Recommends examination of Crow's Nest rates as to whether they are compensatory.

MR: Coal industry and subvention assistance paid to Canadian railways on Alberta and British Columbia Crow's Nest coal - the position of the Vancouver Board of Trade is that if it is necessary to subsidize an industry the subsidy should be given directly and it should not be through rates.

MR: Truck and bus-compelled rates. In B.C. there is not the same degree of competition in trucking operations which exists in some of the Eastern provinces.

2708 MR: Discrimination in passenger fares against B.C. Suggests provision for equalized passenger rates would be in order.

2709 Stresses importance of separate accounting in respect of various activities of railways. Reference to lack of confidence by public in railways due to insufficient disclosure by railways of their operations.

2735 Reference is made to fact that horizontal increases have been resorted to not only in Canada but in the United States and England.

2736. Horizontal increases in the States have been made with certain exceptions and also with maximum applied to the percentage increase in the case of certain basic commodities.

2738 and 2739 Reference to details of horizontal increases in freight rates made in the U.S. since 1922.

2741 Witness claims principle of horizontal increase is bad but has no alternative suggestion to offer.

2754 Vancouver Board of Trade does not object to proper financing for the railways.

2756 Suggestions by witness that on wage conciliation negotiations railways may have given in too easily. This view strongly objected to by railway counsel.

2767 Reference to interchange between the railways on grain from Edmonton and Calgary from Vancouver. For many years grain from C.P.R. points around Calgary has moved by C.N.R. to Kamloops and is then turned over to the C.P.R. C.P.R. grain from around Edmonton is turn over to the C.N.R. hauled by the C.N.R., and turned back to the C.N.R. at Kamloops. Witness suggests that other traffic be treated in the same way as this interchange on grain.

2773 Witness suggests that Royal Commission should feel free to suggest sweeping changes in transportation policy and rate structure but that when it comes to changing the rates, they be put in slowly.

2774 Reference to power which the railways have through rate fixing to force industry into other provinces and even to destroy industries. The power comes from the ability to vary the rate below the maximum. The witness, however, is unable to give any examples of where this power has been used by the railways to the detriment of the Canadian economy.

2781 Reference is made by Mr. O'Donnell on behalf of the C.N.R. to an exhibit in the Thirty Per Cent Case and the Twenty Per Cent Case with reference to labour wages and rates which example given detailed information as to the average rates per year over a period of time and the changes in the various classifications.

2794 It is suggested to the witness that the abolition of statutory rates and the placing of all rates under the B.T.C. might tend to make the B.T.C. an economic planning board. Witness expresses the opinion that it is now, to some extent, an economic planning board.

2795 Witness suggests that the powers of the B.T.C. should be very considerably increased to make them the judges of whether or not certain economic conditions exist and should be satisfied.

2797 Witness feels that cost of service is a factor which should enter into rate making but that it is not the important factor.

2801 Submission by B.C. Fruit Growers' Association - Witness Mr. N.B. Ewer.

fruit 2801-2901.

2807 Shipments to Great Britain accounted for the bulk of the off-shore trade up to 1939, since when there have been limited shipments. There were no purchases in 1947 and 1948 and it seems improbable that market will afford an outlet for B.C. apples in the forseeable future. Foreign export markets are becoming increasingly restricted and the outlook is not encouraging.

mkt. competition

2808 The lack of important off-shore markets compels the utilization of United States markets. This, however, is an uncertain market because in years of heavy home production and weak markets, Canadian growers could not compete with American home-grown supplies, having regard to cost of transportation and customs tariffs.

American market has not compensated during the last two years for the loss of the British market. The development from an overseas to an American area of distribution will entail considerable readjustment in production, packing and marketing arrangements of the industry and emphasis on to-grades and selected sizes of only a few well known varieties.

2809 Suggests that during fully half its history the cost of transportation has taken a larger share of the consumer's dollar than that accruing to the producer of the fruit.

2810 Witness expresses the opinion that not only has transportation extracted a disproportionate share of the market value of fruit products but that these products have borne and still bear a disproportionate share of the national transportation bill.

Interlisted

Reference to fact that charges for protective services (refrigeration and heating) are higher in Western Canada than in Eastern Canada.

2811 Also refers to fact that carlot rates are granted on smaller loads in and from Ontario than from British Columbia.

2812 If subsidization be nationally necessary and advantageous it should be supported by the nation from federal revenues and not by the imposition of higher rates on the commerce of the people of B.C. and Western Canada. The M.F.R.A. and the Feed Grains Freight Assistance Order exemplify this policy and imply a recognition by the Federal Authority that the transportation burden is unequally distributed and can be insupportable as to certain areas and to provinces. interlisted

2814 and
2815 B.C. Fruit Growers' Association recommends:

(1) Basic class and commodity rates and express rates should be uniform throughout Canada.

(2) That departure from basic scale to meet competition or to afford wider distribution should be subject to specific authorization of the B.T.C.

(3) That statutory rates be returned to the jurisdiction of the regulatory authority and that preferential treatment of commodities affected thereby be discontinued.

(4) That railway carriers be required to publish through international rates and/or appropriate proportional rates to border points to foster the development of trade with all sections of the United States.

(5) That the charges for accessorial services be uniform throughout Canada.

(6) That prior to the adoption and publication of rates on commodities in which they may be interested, affected shippers be given an opportunity to express their views relative thereto.

(7) That there should be a study of the national railway legislation of the United States with a view of adding to the Canadian Railway Act such of the American provisions as may enhance the usefulness of the regulatory authority in the public interest, and avoid over-emphasis on what must be largely the one-sided view of those concerned primarily with the interests of railroad transportati

2827 Reference is made to fact that commercial freight cannot be taken through a national park.

2828 Until very recently there was a regulation that a truck could not be a bonded carrier. This obstacle has been removed as a result of the Geneva Conference.

2839 Reference is made to the fact that when the mountain differential was removed some rates went up and some rates went down.

2876 and
2878 Reference to reparation policy applying in the U.S. under the I.C.C. Act. If the I.C.C. finds that the carriers have established a rate which is subsequently found to be unjust and unfair and unreasonable, as from a certain date they make the new rate retroactive and they award to the shipper a refund of the charges which exceeded what they have now found to be a just and reasonable rate.

2878 Witness states that it is his experience that B.T.C. is not as ready is as the I.C.C. to initiate investigations on its own behalf with regard to rates and other transportation matters. Mr. Sinclair, on behalf of the C.P.R., however, points out that the B.T.C. has full power under the existing legislation to raise matters on its own behalf and to go into matters on its own behalf.

2890 Reference is made to the judgment of the Chief Commissioner in the Thirty Per Cent case (21% increase):

"The water competition extends throughout Eastern Canada from its eastern coast to Port William and Port Arthur. These compelled lower rates have resulted in benefit to Western Canada for the reason that traffic moving from Eastern and Western Canadian points obtain the benefit of such lower Eastern rates for the portion of the haul within eastern territory, with the result that rates to and from points in Western Canada far removed from the water obtain the advantage of the compelled rates for the Eastern portion of the haul." 2901

Vol 19

2916 Submission of B.C. Paper Manufacturers and Converters. Witness - Mr. C.R. Bolton.

2918 Wants standard scale of rail freight rates throughout Canada. In so far as railways are transcontinental or national in character, all parts of Canada are entitled to an absolute equality of treatment.

Suggests that the people in western Canada are compelled to pay the highest scale of rates.

2925 Objects to statutory rates since no provision is made for consideration or adjustment of the same, in order to reflect changing economic conditions.

2926 Wants investigation made into Crow's Nest Pass rates to see whether they are compensatory; i.e. whether they are standing their full proportion of operating cost to the railways.

2927 Suggests that B.T.C. should determine what are equitable rates on grain movement and that the difference between the equitable rate and the present rate be subsidized by the Government, if in fact the present rate is necessary to the national interest.

2931 Contends that the B.T.C. should have power to prescribe a minimum rate for Canadian rail hauls. Also contends that some governing body should be placed in control of motor transportation. Recommends that all carriers' rates must be based on the true cost of operation.

2932 Suggests that lack of control of motor carriers and lack of power by the B.T.C. to set a minimum rate, leads to the carrying of traffic that is not bearing its proper share of providing revenues and, consequently, casts an undue burden upon traffic carried under other rates in other territories.

2943 Witness recognizes that an equalization scheme would have to give some effect to any possibility that the grain rates might be lower than the other scales. Witness also agrees that in any equalization scheme assumed relationship between Port William and Winnipeg and between Vancouver and Glacier would also have to be given some weight.

2944 Witness and Mr. Evans, on behalf of the C.P.R., discuss the Maritime Freight Rates Act and it is pointed out, to avoid any misunderstanding, that traffic moving into the Maritimes from other parts of Canada does not obtain the Maritime preference. Traffic moving outbound from the Maritimes gets the Maritime preference and traffic moving wholly within the Maritimes gets the Maritime preference.

2951 , Further reference to Crow's Nest Pass grain rates where witness points out that the difference between what is being paid today by shippers of grain and what it is equitable they should pay, should be paid as a subsidy from the Government and paid by all the people and not by the shippers of other commodities, as is the present case

2957 Witness does not subscribe to suggestion by previous witnesses, namely, that before a new rate is initiated or an old rate changed, the matter should first be submitted to the B.T.C. for their approval

2958 Witness wants reparations to work both ways, i.e. in favour of the railways and in favour of the shippers.

2961 Statement by Mr. Sinclair, on behalf of the C.P.R., where he refers to moving of grain from Edmonton and Calgary to Vancouver, with transfer at Kamloops, The additional information given by Mr. Sinclair is that the relative tonnages moving on these two movements are brought into equalization by the transfer of tonnages off the Northern Alberta Railway, but that the comparison makes the movement off the N.A.R.move mostly by Canadian National Railway via Edmonton.

2961 Submission by Surrey Co-Operative Association.
Witness - Mr. B. G. Greelman.

2963 Association requests:

, (1) The establishing of the same rate on feeds used for domestic consumption as now pertains to feed for export. The farmers of B.C., who are dependent on these feeds to a very large extent in the cost of production of poultry, dairy and hog products, ask the removal of this injustice by lowering the domestic rate to equal the export rate on these feeds.

2965 (2) That terminal rates be granted all Fraser Valley points. They request that the Lower Fraser Valley be zoned to grant the same freight rates covering an area which is served by competitive firms regardless of their location in a given zone.

2976 Submission by B.C. Federation of Agriculture.
Witness - Mr. C. Headey.

2981 Complains that freight rate structure is considerably higher than that prevailing in Eastern Canada and to this extent is discriminatory. Objects to high domestic rate on grain and grain products brought in from Alberta. Submits that in all fairness this regional differential ought to be removed by applying the export rate on all grain and grain products entering B.C. whether for domestic use or for export.

2983 Claims that express rate on poultry, newly hatched to four weeks of age, is too high.

2986 Witness points out that he is calling the attention of this Commission to these disparities in the face of the fact that the B.T.C. has indicated that this is not unjust discrimination.

2988 Witness states that they are prepared to give up all their subsidies for equalization east and west.

2998 Submission by B.C. Lumber Manufacturers Association. Witness - Mr. J.G. Robson.

2999 Submits that the Railway Act be amended by the inclusion of provisions for the guidance of the B.T.C. in all revisions of general freight rates, competitive rates, international rates, etc. limiting such rate adjustments as appear justified on basic commodities such as lumber and lumber products in such a manner that disruption of established market patters in the national transportation structure is precluded for the benefit of the general economic well-being of Canada.

3000 Wants future rate adjustments granted among similar lines and on the same principle as those governing decisions of the I.C.C. for increases in lumber rates on American railway lines.

Believes that such guidance for the B.T.C. is in the public interest for the preservation of established market patterns and will under substantially similar circumstances and conditions be fair in its application to all regions for the freest possible interchange of important commodities having due regard to the needs of basic industry.

3003 Witness expresses hope that provisions of Railway Act will continue to enable conferences to be conducted in the future between shippers and the railways to mutual advantage of each, free, however, from arbitrary or discriminatory rate revisions inimical to the public interests.

3016 and 3017 Points out that distortion resulting from a flat percentage increase is, therefore, obvious discrimination against B.C. long haul compared to short haul rates. Further suggests that this distortion will obviously be compounded as price levels in principal domestic markets recede and the natural geographic disadvantages thereby disproportionately increase.

Refers to I.C.C. policy in U.S. and states: "During 1947 and 1948, the I.C.C. in granting freight rate increases to Class 1 Railways in the U.S., recognized in all cases the principle of preserving competitive relationships between suppliers of common markets on important basic commodities such as lumber, coal, iron, etc.

3022 Witness states that what they are anxious about is that in making adjustments on freight rates, their relative position with regard to markets is not destroyed.

3029 Witness points out that they do not want any special favours due to any economic or geographic disadvantages but also that they do not want any economic or geographic disadvantages multiplied by virtue of flat percentage increases.

3041 Witness complains that B.T.C. disregarded the market pattern when they made a flat percentage increase covering all rates.

3057 Submission by B.C. Feed Manufacturers' Association. Witness - Mr. E.G. Alton.

3063 Witness refers to difference between "cost of Transportation" and "cost and value of transportation" principles of rate-making. Suggests that this is matter which should come before the B.T.C. in its inquiry under P.C.1487

3063 Believes that a number of competitive rates have been allowed to remain in effect notwithstanding the fact that in most cases the original circumstances, such as competition or other causes, may now be materially altered.

3063 and 3064 They do not favour the principle of establishing rates by statutes, whereby they become "fixed" and where no provisions are made for the consideration or adjustment of the same by the B.T.C. in order to reflect changing economic conditions.

3064 Refers to Crow's Nest Pass grain rates and expresses the opinion that they will be found uneconomical and that they do contribute their fair share of revenue to the carriers.

Refers to mixing privilege and points out that the restricted mixing privilege enforced in Western Canada is working a hardship on shippers. Wants mixing privilege uniform throughout Canada.

3065 Refers to I.C.C. and points out that it is now endeavoring to further promote the use of grain rates by encouraging the revision of classification ratings, so that the rating will be whatever percentage of first class is generally used as a basis for he presently published commodity rates. They believe that this method of rate-making warrants serious consideration by Canadian railways if only as a partial solution to the problem of rates and tariff simplification.

3066 Believes various forms of transport freight rate structures should be on the basis of "cost of transportation" and that this basis could be made to apply to all sections of the country without the necessity of subsidies. They suggest this could be brought about by:

(1) Closer co-operation of the various transport media.
(2) More efficient operating methods by the various carriers.
(3) Greater co-operation by and between the various sellers of transportation and the regulating bodies and the purchasers of transportation as a more thorough knowledge and understanding of one another's problems would at least solve some of them.

Vol 17

3088 Witness points out that the result of subsidies on feed costs is the same all through Canada or at least within a few cents per ton of the same price.

3088 and 3089 Mr. Sinclair, on behalf of the C.P.R., refers to minutes of the meeting held on January 18, 1933 between representatives of the C.N.R., representatives of certain of the Provincial Governments of Western Canada, and representatives of the Dominion Government, as a result of which an arrangement was made resulting in a compromise between the export rates and the domestic rates on feed grains.

3099 Witness agrees that B.T.C. under existing legislation in Railway Act has complete power and is unfettered and unrestricted in regard to dealing with freight classification.

3100 Is not in favour of discarding the rate structure and setting up an entirely new one, but would prefer to correct whatever anomalies there are, through discussions and conferences with the railways.

3102 Does not object to railways engaging in trucking business if they can render better service to the public than they are giving at the present time, but feels that such trucking service should always be supplementary to the rail service and not in competition to it.

3103 and 3104 Believes B.T.C. should have jurisdiction over any inter-provincial form of traffic, trucks, waterways, but intra-provincially, as far as trucks are concerned, that should be left in the hands of the provincial government.

3104 Believes that value or end use or ability to pay, as well as the factor of mileage, are some of the factors entering into rate making. Believes, however, that basic rates should be on mileage.

3106 Refers to Crow's Nest Pass grain rates and states that no form of transport should be permitted to carry any commodity below the cost of operation plus a reasonable return based on the conditions of the carriage.

3111 Expresses the opinion that better cooperation possibly in operating methods between the railways would result in better service to the buyers of transportation. Points out that for better service it would be better to look to more cooperation than to more competition.

3124 States that freight rates are the basis of distribution and that industries place their plants or situate them at the best place for distribution. Witness further expresses the opinion that this holds good in form of business and especially in the grain business.

3127 Submission by B.C. Tug Boat Owners' Association. Witness - Mr. J. A. Lindsay.

3133 Waterborne traffic has in a process of evolution divided itself into two main classes of transport service, (1) the coastwise vessel, and (2) towboats and barge service. The coastwise vessels handle principally passengers, mail, express, fast freight, perishables, while the tug and barge industry, by the same process of evolution now handles all the traffic of logs and the major portion of the coarser bulk, non-perishable commodities such as sand, gravel, petroleum products, lumber and cement, coal, pulp and paper, lime and limestone, rock, pulp, chips, hog fuel, heavy logging machinery and equipment, etc.

3136 Recommends:

1. The tug and barge service on the B.C. coast has been and is a major factor in the establishment of B.C. industries.

2. The growth and expansion of tug and barge service has been a natural outcome of the demands made upon it by the industries which it serves.

3. The tug and barge industry has been built up on a purely independent basis and is not controlled by any single firm or group.

4. In our opinion (B.C. Towboat Owners' Assn.) any action on the part of the Royal Commission which would tend to curb or regiment the activities of the tug and barge business, would be detrimental to the industrial life of British Columbia.

B.C. Towboat Owners' Association

3138 Refers to Government regulations and points out that these regulations are regulations of the Federal Government and deal principally with safety but have nothing to do with freight rates.

3141 Submission by Bella Coola Consumers Cooperative Assn. Witness - Mr. Herbert Cargrave.

3143 Bella Coola, like many other coastal points, is exclusively served by the Union Steamship Company and has a weekly boat service except on occasions when the period between boats is greater. Fares have been increased three times since 1946 and there have been at least three increases in freight rates during the same period.

In the winter of 1948 and 1949 freight rates fluctuated from week to week and it was impossible to set the retail price on some commodities until after they had received the freight costs each week.

3147 Suggests that the whole picture warrants a complete investigation in the interests of people living in coastal areas. Recommends that there should be a controlling body to cover coastal shipping and that this is essential to the general welfare of the coastal communities (even more so than railways and the B.T.C. are to mainland communities) because there is little or no competition either by air or by road.

3155 Union Steamship Company is subsidized by the Dominion Government and it is the witness' understanding that the subsidy is paid in part with respect to the service to Bella Coola as well as to other areas.

3178 Witness states that he has been informed by independent legal advice that the Maritime Commission do not control fares or freight rates on the coast; and that the only way they control the Union Steamship Company's fares and freight rates is because of the subsidy paid to the Union Steamship Company; and that the people and the consumers on the coast have no right of appeal. They do not present any information to the Maritime Commission in order that their point of view can be presented, when the freight rates are arrived at. They merely approve the schedule of rates that the Union Steamship Company set, so that a subsidy can be paid to the Company through the Maritime Commission.

3178 Submission by Interior Lumber Manufacturers' Association. Witness - Mr. Harold B. Collins.

3194 Submits that discrepancies in rail rates in Ontario mills in Southern Interior B.C. for an identical movement, where neither truck nor steamer competition is involved, should be removed with a view to placing Interior B.C. lumber industry on a parity with shipments of like goods for like distances under identical conditions.

There should be equal treatment for shippers in all parts of Canada where the movement of the same commodity under identical conditions is involved.

3210 and 3211 Witness points out that when any special rates are given to meet water competition, the same relief for Interior B.C. lumber industry should be provided.

3215 Submission on behalf of the City of Vancouver. Witness - Major Charles E. Thompson.

In favour of policy of equalization of freight rates to the fullest possible extent.

3217 Refers to statement by Honorable C.D. Howe as contained in the Howell-Sirois Report dealing with Federal jurisdiction with regard to highways.

"The bill differs from that of last year in that any attempt to include control of traffic on the highways has been deleted. The difficulty in that connection, of course, is that the government has jurisdiction only at certain points. Our legal officers advise me that we have jurisdiction over trucks passing from one province to another, or crossing the international boundary, or in certain of the Dominion Government parks. It was felt on reconsidering the matter that such jurisdiction as we have is too limited to be particularly effective under the conditions which prevail in Canada, and in view of the strenuous opposition of the provinces we have decided to delete that feature from the bill this year."

Witness recognizes that railways have an important part to play in the national economy and must have revenues to maintain them. Witness also indicates that they believe that because of the tariff wall and the restriction on north-south traffic, the route transportation problems have been accentuated.

3218 Recommends:

"First, the freight structure as constituted in Canada is not a soluble problem. I use that advisedly. In other words, all of Canada will never be satisfied with it.

Second, railways are necessary and they must be adequately maintained.

Third, we believe their position isto draw together and equalize the opportunities of the country they serve. They are like the elevators in a department store.

Fourth, we believe that western Canada is entitled to alternate methods of transportation. A Trans-Canada highway is a necessity.

Urges a complete equalization of freight on manufactured products. Believes national prices on manufactured goods which is now in practice on a limited number of products should be made obligatory if Canadians are to receive equal opportunity and treatment.

3220 Witness does not think that transcontinental rates put in by railways to meet water competition have been of substantial benefit to B.C.

Witness repeats view that they are in favour of nationalized prices or products and including the freight in the product price.

3221 Submission by Quesnel Board of Trade. No witness. (Brief read into record)

3222 Points out that Quesnel is the terminus of the Pacific Great Eastern Railway owned and operated by the Government of the Province of B.C.

Refers to fact that freight rates on P.G.E. precludes the possibility of lumber products in Quesnel area reaching Vancouver market on competitive basis.

3227 Cannot compete with mills on the main lines of the C.P.R. and the C.N.R. due to the existing freight rates since they do not have access on a competitive basis to the northern line of the C.N.R. - Jasper to Prince Rupert

3228 Submission of Mining Association of British Columbia. Witness - Mr. Charles H. Mitchell.

Refers to freight rates on ores and concentrates and to the fact that rates on these shipments are levied on the value of the metal content of the ores and concentrates. The values are determined by the smelter assay returns and such values are assessed on the basis of the metal prices prevailing at the time of sampling at the smelters. Thus, the railways by basic tariffs have and do participate with the mines in the relatively high metal markets of the last three years.

3231 Refers to I.C.C. practice and to Ex Parte 162 in which I.C.C. decreed a maximum increase of 30¢ a ton. Suggests that B.V.C. should have followed same practice on the 21% increase.

Contends that 21% increase should never have been applied to freight rates on shipments of ores and concentrates. Further contends that the structure of the freight tariffs in question should be considerably modified by stipulating agreed prices for the assessment of freight charges on a more equitable basis than privately obtains.

3233 Mr. O'Donnell, on behalf of the C.N.R., points out that present freight tariffs in mining industry in B.C. are a result of arrangements made between the mining industry and the railways as a result of discussions and negotiations which took place in the early part of the century.

Mr. Evans, on behalf of the C.P.R., points out that in the U.S. there have been four increases on existing rates with respect to ores and concentrates and that in only one of these cases was there a maximum placed on the increase and that this was Ex Parte 162. Mr. Evans also points out that the increases were superimposed on a scale of rates based on an escalator clause which is what the witness is complaining about in Canada.

NOVA SCOTIA

Vol 18

Statement by the Premier

[illegible]-[illegible] [illegible], [illegible], [illegible] and 91

Premier does not think the Board of Transport Commissioners should have the last word. Is not in favour of abolishing appeals from Board of Transport Commissioners to Cabinet.

[illegible]

Premier agrees with Alberta re complete reconstruction of freight rate structure from fresh view point. Stresses desirability of essential equality of conditions for economic enterprise.

Nova Scotia Brief - outline and supplement read into record

[illegible]-[illegible]

Rate differentials provided by Maritime Freight Rates Act now inadequate.

Differentials should apply to whole movement of any traffic originating in the Province of Nova Scotia and moving outward to a point beyond Diamond Junction or Levis. Should be reduction in rates on goods coming in to Nova Scotia to be processed or used in manufacture from points outside "the select territory".

Import and export rates should be maintained at such a level as to cause an adequate volume of Canadian imports and export trade to flow through Nova Scotia ports.

Nova Scotia is opposed to horizontal increases in respect of long-haul traffic moving to and from the Province of Nova Scotia.

Nova Scotia appreciates the fact and is in favour of the principle that the adoption of these measures will require financial assistance from the Dominion Treasury.

Louisburg Board of Trade

[illegible]

Port of Louisburg at a disadvantage due to present rate structure and its geographic position in relation to the railways.

Louisburg wants zoning system with one freight rate for incoming and outgoing traffic in this area.

Furness Bay Steam Line, Furness-Warren Line and Newfoundland-Quebec Steamship Limited

1301 Entry of Newfoundland into Confederation - thereby through traffic moving by water between Port Aux Basques and North Sydney shall be treated as all-rail traffic.

1302-1303 Rates have now been published - Maritime Freight Rates Act applies - new rates disregard costs of unloading cars at North Sydney and loading for shipment to Port Aux Basques and unloading the ship at Port Aux Basques and loading on cars of Newfoundland branch of the Canadian National Railways.

This has caused lower rates thus seriously jeopardizing position of steamship companies which compete through other ports such as Halifax and Saint John.

1304 Canadian National Railways have made some concessions on other commodities but these concessions comparatively limited.

1305 Effect of new rail rates on rates of steamship companies - reduction in rates - loss of revenue causing "ruination" of steamship companies - serious effect on ports due to likely loss of traffic to North Sydney and Port Aux Basques.

1307 Higher insurance rates for steamship companies, which rates have to be absorbed in the general rate structure.

1306 Reference to agreement or arrangement between steamship companies and Canadian Pacific thereby "division" of rates arrived at. Canadian Pacific making rate concessions with steamship companies for Newfoundland traffic - Mr. Frawley, representing Alberta, points out that Canadian Pacific is not able to make any concessions in western Canada.

1308 Steamship companies want -

(a) Maritime Freight Rates Act to apply to water shipments or rail and water shipments combined from points in Maritime
1120 Provinces and Quebec now in "select territory" in the case of railways and to water shipments or rail and water shipments combined from Newfoundland to points westward in Canada.

(b) Federal Government to pay subsidy to shipping companies of $2.50 per ton to assist in paying stevedoring costs at Montreal, Halifax and Saint John on all cargo received by them from Canadian National or Canadian Pacific.

1118 Are steamship companies necessary in the national interest if they are not able to compete with rail rates presently being charged as a result of Canada-Newfoundland Agreement?

Steamship companies contend that they are necessary in the national interest -

(a) because of water paid - also rail route is in fact artificial (90 miles of water);

3319 (b) cost of operation will be greater on the all-rail route thus creating the likelihood of greater deficits to be incurred by the railways.

3320 That is the cost of moving goods by the all-rail route through North Sydney to Port Aux Basques as compared with the water transport routes from Halifax and Saint John, etc.?

3321 Steamship companies recommend that Commission should investigate whether North Sydney and Port Aux Basques and Newfoundland rail facilities could handle increase in tonnage which will result due to lower all-rail routes. They point out consequent increase in overhead costs if expansion required.

3322-3324 Refer to Hansard for February 17, 1949, volume 80, No. 17, pages 608 and 619 to 627 - statements by the Prime Minister and Mr. Chevrier in which they refer to the problem generally.

3327 Question of essentiality of steamship service if subsidies are to be paid - steamship companies claim they are essential to economic well-being.

3335 Steamship companies contend all-rail traffic is an uneconomic means of transportation.

3336 At the present time there is no regulation of rates on these steamship companies by the Board of Transport Commissioners or by the Canadian Maritime Commission.

3337-3338 Question as to whether there should be regulation of rates of steamship lines.

3339 Steamship companies contend -

(a) public would suffer if steamship companies went out of business because the Canadian National could not handle additional volume immediately without greater cost;

3360 (b) steamship companies raise the question whether national policy should eliminate price enterprise from the transport industry in Newfoundland;

(c) population in Halifax, Saint John and Newfoundland who depend on loading and unloading of cargoes and other employment with steamship companies would suffer.

1961 Steamship companies would rather have the benefits under the Maritime Freight Rates Act than subsidies to assist them.

1962 Interstate Commerce Commission have control over steamship rates ex United States ports to Canadian ports. British or Canadian steamships cannot trade between American ports so that the Interstate Commerce commission actually exercises control over rates between American and Canadian ports.

Transportation Division of the Maritime Board of Trade - brief

(page references to brief)

Recommendations -

67 Amend B.T.A. Act to permit B.T.A. to vary statutory rates when necessary because of industrial or traffic conditions which may destroy or prejudicially affect advantages in favour of persons or industries located outside the "select territory".

74 Class arbitraries should be maintained constant with any general rate increase.

77 Uniform percentage increases should be avoided if they tend to be restrictive and prevent persons at distant points from competing in potential markets.

88-91 Amend Railway Act to give B.T.C. wider supervisory powers and to give consideration to -

a) conditions prevailing in industry to the end that committees may move freely;

b) effect of rates on movement of traffic;

c) rate relationships under which industries have been established and developed;

d) evidence of increases in removing regions commercially.

93 Amend legislation to permit Intercolonial railway to be set up as a separate railway for rate-making purposes. Also to extend Intercolonial system for rate-making purposes to Toronto by giving running rights over C.P.R. lines.

94 Need for control over international union and greater liaison between B.T.C. and I.C.C. Support consideration of arrangements and concentration of necessary international agreements.

102-103 Land prices lowered (that rate into one zone - similar difference between inner zone and outer zone.

103 Amend B.T.A. Act to restore the discretive routing privileges that previously existed via Saint John, N.B.

130 Give B.T.C. power under Canadian National-Canadian Pacific Act to make such allowance as might be reasonable when it finds that in the public interest co-operation and other measures could effect certain economies.

130 Creation of a national transportation policy - to operate independently of B.T.C. and A.T.A. which would retain their quasi-judicial activities. New body would co-ordinate not only position transportation activities but also co-operate with provincial governments in respect of transport services under their jurisdiction.

131 Amend B.T.C. Act to permit words "while the cost of railway operation in Canada remains approximately the same as at the said date" to be more definitely defined and interpreted.

133 Amend B.T.C. Act to treat through traffic between Sydney, N.S. and Saint John, N.B. as all-rail traffic.

134 Railway Act should clearly indicate that when a rate is found to be unjustly discriminatory the B.T.C. should be authorized and empowered to determine and prescribe the exact rate to be charged in each case.

134 Amend Railway Act by adding separative section.

134 Confer on B.T.C. jurisdiction over facilities incidental to express services.

135 Confer on B.T.C. power to suspend changes in rates, either upon complaint or its own motion, for at least three months or such longer period as may be deemed necessary, but it would also be stipulated that in suspension cases the burden of proof should rest upon the carriers.

135 Storage service incidental to rail shipments should be deemed a rail service under the Railway Act.

135 Maintain statutory rules on grain - if, as result of study, rules are shown to be compulsory.

Vol 19

Paraphrase of the Railway Board of Trade

(page references to transcript)

3436 An arbitrary may be a fixed amount which a transportation line agrees to accept in dealing a rate, or a fixed amount, added to or deducted from a rate from one station, to make a rate from another; or, a fixed amount added to, or deducted from, a rate to one station to make a rate to another station.

A differential is the difference established between rates from related points of origin, or to related points of destination, or by different routes between the same points.

3437 Export and import rates from Montreal to Halifax are the same as from Montreal to Saint John - port differential rate structure.

3438 M.F.R. Act only applies on that portion of the rate that the distance in the "select territory" is of the whole distance. The 20% reduction, therefore, only applies to that portion of the whole rate which is applicable to the "select territory". (see sec. 4(b) of Act).

3439 Reduction under the M.F.R. Act does not apply to -

a) all rail movements to or from the United States;

b) southbound traffic from points west of Levis and Diamond Junction;

c) import traffic;

d) export traffic from points outside the "select territory";

e) passenger and express movement.

3440 M.F.R. Act is mandatory on C.N.R. but is permissive for the participation of other railways in the "select territory".

3441 No competitive rates - the M.F.R. Act (section 5) is applicable if a competitive rate prejudicially affects and destroys the statutory advantage.

3442 Section 5 of M.F.R. Act is valuless when it is a bona fide case of competition - where the rates are bona fide competitive rates.

3443 If the competitive rate is prejudicial then it must be complied under section 5 of M.F.R. Act - the rate goes back to normal

3519 Effect of N.E.R. Act is to establish the railways against the trucks.

3521 On expiry notice requires thirty days' notice.

3522 Necessary notice to interested persons in cases of general rate revision.

3535-3536 Responsibility of R.T.C. to hold hearings. Burden of establishing prejudice does not rest upon the shipper. The supreme court says that the onus is on the R.T.C. as an administrative body to carry out its duty which is to see that these things are properly attended to, and if any matter is brought to its attention it must act, but the onus is not necessarily on the shipper as the provinces had contended.

3563 There is an implication that the R.T.C. will act on statutory complaints, as in the case of the supreme court of Canada. There
3574 is a suggestion that the R.T.C. pay more attention to substituting statutory advantages and rates and deals more leniently with appeals affecting N.E.R. Act.

3565 Section 36 of the railway Act gives R.T.C. power at anytime on its own motion to inquire into various matters.

3567 R.T.C. has departments and staff for purpose of editing and interpreting them.

3577 Section 32 of the Railway Act - "The Board may review, rescind, change, alter or vary any order or decision made by it, or may rehear any application before deciding it."

3581 In the ADI case it was estimated that approximately 41% of the Canadian freight revenue of the C.N.R. in 1948 was obtained from competitive rates.

3583 Duff Commission Report, section 164, page 55 - "If the railways have a large part of of their profitable short distance traffic to the roads, a readjustment of the whole freight rate structure may be necessary with a possible increase in the rates charged for the long distance and heavy freight traffic."

3605 N.E.R. Act, section 6 and section 3(1)(b) - question of whether a horizontal percentage increase in rates is not consistent with section 6 of the N.E.R. Act. The R.T.C. did not countenance the argument in the ADI case. Tends N.E.R. Act amended to clarify this and prevent horizontal increases in applying to rates under the N.E.R. Act.

3620
3621 Section 325 of the railway act - gives I.C.C. powers of a court sweeping character but it seems to have been established in exercising these powers . Not always sufficient regard to research and jurisprudential consideration.

3622 Generally the I.C.C. has adhered to the principle that it has no power to regulate tolls for the purpose of equalizing cost of production, or jurisdictional, or climatic, or economic conditions. If the railway act not prohibited therewater have a recommending effect on I.C.C. than it appears to it that in the national interest certain ~~[illegible]~~ rates should be prescribed to maintain relationships, maintain distances, facilitate the movement of traffic and primary commodities, and to lessen the impact of increases on consumer costs, then the act should be changed.

3626 The railway is free to meet competition as it likes - carrier competition and market competition. "The board has
3627 also held that it is in the discretion of the railway whether it shall or shall not make rates to meet the competition of carbats. The same principle applies here as in the case of water competition."

3628 "It is not the board's function, as delegated by parliament, to make rates to develop business, but to deal with the reasonableness of the rates, either as complained of or of its own motion." I.C.C. case involving Bayside Traffic Association 21 CRC page 271.

3629 Setting up Intercoastal railway as a separate entity for rate-making purposes. It would still come under supervision of I.C.C. and under section 7 of the I.C.C. act. Chairman supports this is just a way to get around a certain rule for making rates - suggests that elimination of rule would accomplish same purpose.

Vol 20

3711 Suggestion that instead of a department of the government operating the ferry and facilities there be created a I.C.C. Ferry Commission because not only will this administrative powers, but also with authority to resolve all problems that might arise in connection with the service.

3715 I.C.C. follow practice of admonishing railways against futility of rate adjustments to meet current problems. They admonish railways that they must first do all t by use, not only by co-operation, to bring about enhancement of revenue.

3720 In Canada Parliament has reserved the right to look into these co-operative measures, and each year a report must be made under the Canadian National-Canadian Pacific Act directly to Parliament. The I.C.C., therefore, has no jurisdiction to go into matters on the question of co-operation under the act between the railways.

3768-3769 Meaning of "out-of-pocket" expenses - any rate that does not cover its full proportion and so on could be looked upon as in the category of non-compensatory rates but generally speaking, if a rate does contribute something over and above its out-of-pocket cost to the general over-all picture it is compensatory.

3773 Maritimes entered Confederation on basis that they would be given access to the markets of central Canada and that the ports of the Maritimes would be developed as national ports.

Because of lowering of competitive rates in Ontario, the increases in freight rates, and the ruling of the arbitrary over Montreal - the position that was established for the Maritimes under the B.N.A. Act has been altered.

3774 Deficits from the eastern lines should not be labelled territorially, and the whole burden should be directly borne by the Dominion Government.

3779 Does not think that the B.T.C. should direct or dictate national policy but rather they should have broad branch powers that then rate matters come up which necessitate consideration, looking at it from the over-all national aspect, and the general development of the country as a whole.

3787 Section 6 of the B.N.A. Act - B.N.A. only disallow - cannot grant a corresponding reduction to alleviate the situation.

3833 Trucking not regulated in Nova Scotia.

3836 Do not agree that regions should keep their advantages and suffer from their disadvantages. The national background in connection with the International Railway was to afford persons in industries to get into the markets of central Canada.

3839 Does not think B.T.C. equipped with sufficient staff and facilities to deal with disturbances to market patterns resulting from rate increases and decreases.

3847 Statement by Editor J. Kelly to U.C. courts continue develops rate these of competition. If same principle applied in Canada it might lead to people in all parts of the country shipping to the centers and encouraging long-haul traffic. Not possible to do this to same extent in Canada because Canadian railways are transcontinental in character instead of regional.

3070	wants widest possible distribution of the products of each plant and each part of the country thus encouraging and promoting the free movement of traffic. There might be competition between different sections of the railway itself - i.e. a railway section to bring B.C. lumber, and a railway section to bring N.S. lumber into the central provinces is really competing against itself.
3063	Suggestion by Chairman that assessment to D.T.S. Act would accomplish some purpose in setting up Intercolonial as a separate railway.
3069	Suggests greater liaison between I.C.R. and D.T.S. - joint international rate board on freight rates.
3071	Wants foreign freight traffic utilized for I.C.R. system.
3072-3075	Wants restoration of alternative routing privileges via Saint John. Since D.T.S. Act was compulsory to C.P.R. but optional with C.N.R. the D.T.S. held they could not order the routings via Saint John.
3076	Believes railways should have the right to meet a competitive situation when it arises - would not suggest that application would first have to be made to D.T.S.

NEW BRUNSWICK BRIEF

Vol 21

3921 N.B. Brief

Contends public utilities require regulation and control - not control for controls sake, but for the sake of the individual who pays the bill.

3922 Interests of all the people should be protected and policies made to govern railways should meet economic requirements of the nation as a whole, and attain its maximum development. If necessary N.B. is in favour of subsidizing certain operations of the railways - not in favour of penalizing railways.

3923 Not opposed to fair return on prudently invested capital, but say that railways should be used for the common good in an equitable manner and as instruments of basic national policy insofar as such use can be made and subsidies used to that end if necessary.

Re Horizontal increases - contend that N.B. absorbs those increases because they sell competitive products and buy non-competitive products.

3924 Re: Chignecto Canal -

N.B. supports submissions and recommends proper investigation of merits of proposal.

3925 Contends that 21% increases had drastic effect on industry and the extent of this effect on manufacturer is referred to later.

3926-28 N.B. does not subscribe to cost of service principle.

Recommendations of New Brunswick.

3931 Because of geographical features and because Canadian production is mainly for export or use far from the originating centres, cheap and efficient transportation is an absolute necessity to the building of Canada. N.B. submits a policy that must be worked out involving subsidies if necessary to aid the flow of trade between different areas.

N.B. does not propose to make submissions with reference to terms of reference (c), (d) and (e).

3933 Points out that policy of present Government of Canada is to level off our economy where such is possible and submits that freight rate increases granted horizontally help defeat that policy. Long haul non-competitive freight rate charges seem to be one of the means by which a railway may now gain extra revenue, but in the case of N.B., while in the position of having to use the railways on long hauls, it can least afford the increase.

Reference to protective tariff policy and abandonment of free trade - contends that protection should not penalize certain areas. If complete free trade existed N.B. contends it would not need to concern itself with this point as many of their problems would have solved themselves.

3934 Contends that present tariff and transportation policies combine to disadvantage of N.B.

3934-35 RECOMMENDATIONS

1. That the differential as it existed before the last rate increase be restored by adjusting the provisions of the Maritime Freight Rates Act 1927.

2. That such reductions as are made in the standard rates be made applicable over the complete haul, at least as far as Toronto from the point of origin, instead of only within the "select area" as described in the Maritime Freight Rates Act. (See Appendix 1.)

3. That such reductions in the standard rates should be applicable on goods manufactured in Central Canada and shipped into the Province of New Brunswick, especially on those goods which are tariff protected and where there is no competing industry in the Maritime Provinces.

4. That the difference between the normal rates and the reduced rates to be allowed should be paid by the Dominion Government from General Revenues in order that the cost should be absorbed by the nation as a whole rather than as now, have the incidence of long haul increases penalize certain areas.

5. That the Railway Act be amended to direct the Board of Transport Commissioners to consider economic, tariff and geographic factors in their decisions and to recognize prevailing world market conditions and that it be further amended to prohibit the granting of freight rate increases by the horizontal method.

6. That your Commission cause to be investigated again the feasibility of the construction of Chignecto Canal in the light of new conditions as a means of providing shorter and cheaper water transportation.

3934-35 7. That National Highway and National Airport construction should be expanded.

8. That the railways be required to adhere to a definite policy designed to eliminate all level crossings within a reasonable period, with government assistance if necessary and that in the interval all crossings should be marked by electric signal devices. In addition provision should be made to correct inadequate overpasses and underpasses.

9. That the freight rate structure to Maritime Ports should be so constructed that the differential between Montreal and Saint John be restored in order that Canadian goods should be shipped through Canadian ports.

3937-38 ECONOMY OF NEW BRUNSWICK

In many instances the same primary products which are produced in N.B. are produced nearer the market place, so that producers in N.B. must sell in a competitive market and absorb the freight rate. At the same time they buy in a protected market and pay the higher price including increase in price caused by tariff protection as well as increased freight rates.

Thus any reduction in the net receipts of the primary producer is a drain upon N.B. and any tariff is a further drain. Add to these charges the freight bill on a heavy manufactured article which must be brought from Ontario and it will be apparent that all three contribute to maintain N.B. in an inferior position economically.

3941-42 High Freight rates and the N.B. Consumer

It is submitted that the principle of the Maritime Freight Rates Act should apply on goods moving into N.B. from points west for use in N.B. as well as on goods from N.B. moving into Central Western Canada.

Difficult to attribute price differentials between different areas to any specific factor. However, generally recognized that transportation charges are an important factor in costs. It thus follows that an increase in transportation charges will be reflected in higher prices to the consumer, although it is true that under certain market conditions the producer may have to absorb the increase; When this happens marginal producers may be forced from their markets and put out of business. Generally it may be said that consumers bear the increase when there is no local supply and producers when there is a local supply in the market in which they are selling. People in N.B. are forced to bring in much of their consumer goods and to pay transportation charges since lack of a local or other alternative supply enable shippers to transfer transportation costs in full.

3945 Contends that prices in N.B. on consumer goods imported from Central Canada are higher by the amount of the transportation costs than are prices on similar goods in Central Canada. This has been demonstrated, and in any event, is a generally accepted condition. Thus, while as consumers N.B. pays transportation charges, as producers of primary products N.B. very often has to absorb the transportation costs since they sell in a market where there is a local supply: this is particularly true of agricultural producers. All people of N.B. are affected both as producers and consumers by transportation costs.

3947 Do not like subsidies whether direct or indirect but contend they are part of our whole economic and political framework and N.B. has no alternative suggestion other than the freezing of trade barriers, an action which seems unlikely, but which it is felt would solve many of their problems of buying and selling.

3951 In the lumber industry transportation costs are being passed back to the producer who must absorb them to make his sale in competition with the local producers who have the market "on their doorstep".

3957 Coal - Production

There are two special factors coming within the field of transportation that would help to relieve present disabilities with regard to marketing, aid in stabilizing production and give a needed lift to the whole area. These are:

1. A regrouping of freight rates from the field.

2. The establishing of better Canadian National connections.

3963 Contends that in the case of coal the flat rate increase of rates (such as the 20/ per ton increase of April 1st, 1948) given without regard to conditions, operates to the disadvantage of the Minto field. Increases have to be passed on to consumers and they thus serve to put the cheaper Minto product at a greater relative disadvantage.

3965-66 Re: Potatoes

N.B. produces about 20% of the total Canadian production of about 60,000,000 bushels and provides about 60% of the total volume of potatoes moved by rail in Canada.

3970 Increases in freight charges affect the N.B. potato grower in two ways:

1. As a producer selling in a highly competitive market where a difference of a few cents per sack may swing a sale. He must place his product on the Central Canadian Market in competition with a locally produced potato and hence must absorb any increase in costs which do not affect his competitors; since, as has been shown, his competitors truck their products to markets to which they are nearer, transportation costs, the greatest single cost factor in marketing N.B. potatoes, are of vital importance to the N.B. producer.

2. As a consumer of machinery, fertilizers, sprays and bags, he must pay the extra costs involved in bringing these products from their sources: since these products are not local products the sellers have no local competition and hence pass on any increased cost to the consumer.

The N.B. grower is thus hit twice by increases in freight charges.

3975-3976 <u>High Freight Rates and the N.B. Manufacturers</u>

People of N.B. are basically primary producers. There are, however, some important manufacturing establishments who are able to compete with more favourably located competitors because they make a quality or special produce. By good management they have kept down costs which has enabled them to overcome disadvantages of location. The horizontal increase of 21 per cent, however, has made the competitive position of these industries very much worse and another increase will make it almost impossible for many of those depending on the Canadian Market to compete and to continue operating.

Many of N.B. industries must bring in much of their raw materials, as well as machinery and equipment, thus adding to manufacturing costs and placing them at a disadvantage in competing with those more favourably located. In so far as they manufacture for export this is not a special factor, but with the difficulties now being experienced in getting into export markets, the need for the domestic market becomes greater and the transportation disadvantage becomes more apparent. Horizontally increased freight rates tend to accentuate this disadvantage.

Business develops on the basis of a differential; horizontal increases placing a heavier load proportionately on those requiring a long haul tend to destroy established markets and have serious results on those affected adversely.

3978 N.B. feels very strongly that established industries often developed for and dependent on, the export market which is now so difficult to hold, should not be placed in jeopardy by careless rate changes and thoughtless transportation policies.

3979 Trans-Canada Highway

N.B. urges the Commission to recommend immediate construction.

3979 Railway Crossing Elimination

N.B. submits every level crossing in Canada ought to be properly guarded and that most dangerous should be eliminated by passes, while the latest type of flashing light and sounding alarm should be placed on the less dangerous ones.

3982 The Dominion Government Transportation and Tariff policies were designed to promote trade within Canada. Experience shows that present transportation cost defeats that policy of making Central Canadian markets available to people of N.B. while present tariff policy placed additional costs upon their consumers.

3998 Suggests that railways are being driven more and more to the long haul because of truck competition taking away the short haul.

4002 Question of whether freight rate structure is something that can be used to compensate for the differences that have been created by the tariff - thinks that railways are instruments of national policy and that it should be done through just changes in the freight rate structure or through compensation to the railways. Does not think that freight rates should be so low that railways lose - recognizes that railways must meet their costs.

4004 Thinks rates should be high enough so that railways could meet their costs but if they are too high then feels that a special arrangement such as the Maritime Freight Rates Act should be used.

Feels it is right to use railways as a national instrument or in connection with a national policy for the purpose of evening things out.

4015 Due to loss or expected loss of export markets it is becoming increasingly important that N.B. should have access to Central Canadian Markets and be able to compete in those markets.

4017-18 Re: Maritime Freight Rates Act

Suggests that it should apply to goods coming into Maritimes from Central Canada - suggestion is made that N. B. is worried particularly about the consumer and not the manufacturer to the same extent. States that they are not in favour of building up industry in N.B. under the protection of a high freight rate.

4020 Where industries are established in N.B. they do not want to upset them, but they think it is uneconomical to see them built up with the protection afforded by a high freight rate.

4022 Repeats that it is the disadvantage to the consumer that N.B. is mainly concerned with.

4029 Thinks there should be a statutory prohibition as far as horizontal increases are concerned.

4032-33 Thinks B.T.C. should have power to recommend subsidies but does not think they should have power to impose them.

4034 Believes there are many factors that should enter into rate making that are not recognized by a flat horizontal increase.

4036 The question is asked whether a general increase or decrease in the price level is something that the B.T.C. should consider in fixing freight rates. The answer is given "It is a factor that must be considered. It does not automatically follow that freight rates would rise because the price level goes up, but it certainly should be considered."

4040 Believes that national transportation policy should be co-ordinated with the tariff policy and the whole trade policy of the country.

4041 The railways should be used as instruments of national policy and where there is an area which is relatively depressed with regard to other parts of Canada the railways should be used to help bring the economy of this area up to the level of the other parts.

4069 Subventions, Subsidies and Bounties

There is a freight subvention, a production subsidy and a coke bounty.

4138-39 The Maritimes are connected with the rest of Canada not only by the St. Lawrence waterway but by three railway lines. The Maritimes, with the only two winter ports in Eastern Canada, have at least in the winter months, the bulk of Canadian commerce tributary to them. It is contended by N.B., however, that the traffic is expensive and high-cost and it is not natural. It is much more natural for N.B. to trade with the New England States for example by water than to ship away up around the I.C.R. to Toronto. Because this is an unnatural thing, that is the reason why N.B. has asked for subsidies, or one of the reasons.

4141-42 C.P.R. states that they are not in favour of extending the effect of the Maritime Freight Rates - since in their view transportation subsidies are uneconomical.

The C.P.R. recognizes that the Maritime Freight Rates Act as it stands is a fact that cannot be overlooked and that the Act cannot be repealed overnight and the situation upset in that way, but it is opposed to any extension of the principle of transportation subsidies.

4154 Statement made by the Chairman that an investigation might be directed to see how a private spur line might be made subject to the jurisdiction of the B.T.C., and what principles the Board should apply in dealing with it.

Vol 22

4161 Re: Potatoes

Interest on investment of 6% referred to, but in fact interest on the cost in producing an acre of potatoes - not on the investment. "It is just interest on actual cash outlay per acre, to produce that cost."

4164-65 While it is contended that industries of N.B. are not able to compete with more favourably located competitors nevertheless there is a suggestion that industry has compensating advantages in producing a specialty product in the Maritimes for example, cheaper labour, cheaper rents, cheaper municipal services. In cost of labour, however, N.B. contends this merely indicates lower standard of living.

4170 It is only those industries that have a specialty product or a specially good product who have been able to hold on and keep on manufacturing in N.B.

4172 Estimated 32,000 railway crossings, and if grades were eliminated at 10,000 of those crossings there would be an expenditure for grade separation of two and one-half billion dollars. With an estimated expenditure of $4,000 a piece for flashing light protection at the others there would be an additional eighty-eight million dollar expenditure. Witness contends that a programme of grade crossing elimination and grade crossing protection should be carried out without too much regard to the cost but with particular regard to making the highways safe.

4173 Reference is made to the Railway Grade Crossing Fund - and to the provisions contained in Section 262 of the Railway Act setting out how the fund is to be expended. It is voted by Parliament annually in the amount of $500,000.00 and is under the administration of the B.T.C. - it is only to the actual work of construction of any improvements for the purpose of safety and not the maintenance.

4174 Reference is made to the fact that it is the policy of the Government as expressed in the Railway Act to eliminate dangerous crossings as much as can reasonably be done.

4176 Reference is made to the proposals presented to the Rowell-Sirois Commission concerning proposed extension and operation of the Intercolonial on so called grounds of national policy with freight rates not based on commercial considerations. At that time the Rowell-Sirois Commission contended that there was no citation of documentary support for this contention and no contemporary evidence that this future for the Intercolonial was in the mind of anybody at the time of Confederation.

4178 Contends that as part of Confederation N.B. was to get into the Metropolitan markets of Central Canada and that the Intercolonial was only an implement for that.

4179-80 Witness indicates that certain manufacturers in N.B. do not fear competition from Central Canadian Manufacturers in event of Maritime Freight Rates Act being widened to apply to shipments from Central Canada into the Maritimes - refers to Northern Machinery Works at Bathurst and the Sims Brush Company. Witness contends that N.B. makes the distinction that established industries should not be upset.

4184 Concerning contention by N.B. that the differential in freight rates should not be changed - "Once an established differential is set up industry develops on that basis; if it has to be changed it certainly should be done with a great deal of thought and care to not upset established industries."

4187 Suggests that proposal to extend the application of the Maritime Freight Rates Act is a sort of alternative to horizontal increases.

4189 The Chairman points out that the Maritime Freight Rates Act does not prevent increases in freight rates; but it does prevent any increases which will affect prejudicially the special advantages granted to the Maritimes by that Act.

4191 Contention by C.N.R. Counsel that there is sufficient remedy afforded by the Maritime Freight Rates Act itself.

4192 N.B. wants B.T.C. to be forbidden by Statute from granting horizontal increases. N.B. also recommends that the provisions of the Maritime Freight Rates Act be so adjusted that the differential as it existed before April 1st, 1948, be restored.

4193 N.B. in fact is recommending that the differential which existed at April 1st, 1948, be considered as basic.

4194 N.B. is not asking railways to lose money, but they are asking that the Dominion Government pay whatever difference is necessary without disturbing the differential.

4196 National Transportation policy as contemplated by N.B. does not include Federal control of trucking or of highways.

4197-98 N.B. would not be favourable to the control of trucks on a national basis - would like to retain that control for themselves. N.B. would be in favour of agreeing to co-operate by way of working out a national transportation policy, but not to put themselves in the position with trucks where they now find themselves with railways. Counsel for N.B. reiterates that N.B. will not surrender its control over trucks.

4200 Concerning control over trucks witness thinks that Provinces should control trucking with regard to weights and speed and probably enough regulation to prevent the type of competition which is ruining some of the small truckers who do not know what they are doing, but outside of that there should be no other control.

4205 Counsel for C.N.R. contends trucks have taken away the cream of the business and have left the long hauls and the winter traffic for the railways. Thinks the amount is considerable and that it has made serious inroads into railways revenues.

4209 Re: Lumber

The traditional principal market for N.B. lumber was overseas and this was the same generally with all their primary products.

4210 Reference is made to N.B. Brief and the statement with regard to pulpwood where it is contended that the railways are pricing themselves out of business.

4211-12 Witness suggests that the 21% increase accounts for the fact that railways are not transporting as much pulpwood as they did previously. C.N.R. Counsel suggests that other factors also are involved. Witness contends 21% increase was final straw which broke the camels back and led them to look for alternative methods.

4213 Witness thinks that if freight rates were low enough, alternative methods of transportation would not be used.

MONCTON - TOWN PLANNING COMMISSION

4226-27 Recommendations

1. That the report of Royal Commission on Transportation include specific reference to this problem and a recommendation that an official study be undertaken by a Joint Engineering Investigating Committee such as outlined on Page 7 of the supplement hereto.

2. That the results of such a study and the report embodying the findings of this engineering committee be made available to local and Provincial Governmental authorities, the Railway Company, Board of Transport Commissioners and the Department of Transport at Ottawa.

3. That consideration be given to widening the powers of the Board of Transport Commissioners under the Canadian Railway Act so that they may be empowered to investigate or to instigate investigations into matters of this kind; or that some other governmental organization now existing or to be set up shall have power to co-operate with Provincial and Municipal authorities for the study of specific problems of this type, and make recommendations for corrective measures to promote safety and convenience and better living conditions in the areas affected.

4263 N.B. Brief re: Coal

Recommends a regrouping of freight rates from the field in order to get the product into the N.B. market on terms comparable with other coal, considering the type of coal produced at Minto as compared with other types.

4264 Contends the flat increase of 20¢ per ton hurt the Minto Operators.

4266 Contends that most of the Operators feel that if they could get the other rate (presumably the rate before the 20¢ per ton increase) re-established that they would to back to train haul.

4268-69 What N.B. wants is a subvention to enable their operators to put their grade of coal into points north on a much more competitive basis than at present. "We feel if we had a subvention within the province that would enable us to put our coal in 20¢ cheaper, into these places, than we do now, we would be more or less getting the business every year instead of being down usually in the summer time to part time."

4271-73 Subventions, Subsidies and Bounties

Subventions were paid out in freight rates by the Dominion Government and the railways were reimbursed through these subventions. Subventions are based on so much per ton per mile. Subsidies are paid directly to the mine operator at so much per ton. Bounties are on coke and are also paid by the Dominion Government. Subventions are the only ones of these three items which have reference to the freight rates.

4281-82 No shipments of coal by boat from Sydney to Dalhousie, but there is in existence a water compelled rate based on potential water competition.

4288 Re: Archibald report dated July 25, 1941, dealing with Minto Coal Mine and extent of assistance provided to them.

"Concurrently with granting assistance for the movement of Nova Scotia coal, assistance was also granted encouraging the rail movement to Quebec of coal mined in N.B. With N.B. production being limited, the tonnages moved and payments made thereon were relatively small."

4297 Freight rates on coal are the same regardless of the quality of coal.

4298 In the case of N.B. coal, a horizontal percentage increase would have been more suitable to their operators. One section points out the iniquities of the horizontal increase, whereas another section advocates their adoption.

4309 Re: Potatoes

N.B. potatoes debarred from English market for two reasons:

1. Because of the Colorado potato beetle, and

2. European costs of production are less than those in N.B. Canadian market normally takes 50 per cent of total shipments - the other 50 percent goes to foreign markets mainly U.S.A., Newfoundland, Bahamas, Bermuda etc.

4317-18 In N.B. practically all potatoes are sold through independent dealers. There is only one co-operative potato shipping organization and it is very small. There are some 125-150 licensed dealers who handle the potato crop - they are licensed under the Dominion Fruit and Honey Act for interprovincial trade. Fee for license is $25.00.

4327-28 C.N.R. Counsel refers only to report of the Department of Agriculture for the Province of N.B. for the year ended October 31, 1948 where it is stated "no one agency or class of agencies is responsible for our failures,-- rather all are failing to make the most of our opportunities. Each must constantly bear in mind that we are marketing our product with similar products from other countries. These countries are equally anxious to expand their trade. Competition will eventually force us to adopt improved methods or force us out of potential markets. Our attitude of 'Take it or leave it' until it is too late, is creating a condition which our customers will not accept, but will turn to other sources where they obtain better treatment and have something to say in the purchase and selection of their requirements."

4336 Re: Lumber

U.K. order this year is only about one-third of what it was two years ago.

4337 N.B. markets for lumber have not been in Central Canada to any great extent, but mostly to the eastern United States.

4338 Markets for pulpwood are mostly in Maine - some shipments have been made to Three Rivers and Gatineau in Quebec.

4344-45 Trucking does play an important role in the shipment of long lumber in N.B. This role is not in competition with the railways, but rather in bringing the lumber up to the railways.

The chief competitors in the Central Canadian market are the producers from the central provinces themselves.

4346 Main market has always been an export market.

Vol 23

4349 **Re: Lumber**

The market in Central Canada at present is weak and the movement is not as large as it was last year.

4351 Production is very much reduced, at least 25% under 1947, and probably more if it was not for the British Contract.

4352 The question of who bears the freight rate charges on shipment of lumber from N.B. to Central Canadian market depends on the market. If there is a sellers market the buyers in most cases pay what they are asked. In the opinion of the witness today, the seller takes what he can get.

4354 With the danger of losing the export market for lumber the producer must either curtail his production or seek Central Canada as his market, or a combination of both.

4355 Freight rates in themselves play an important part in sustaining a market in Central Canada with the disappearance of the export market.

4356 The 21% horizontal increase is a factor that will cause the producer in N.B. to curtail production although it is not nearly as important a factor as losing the British market.

4361 The question is asked whether an increase in freight rates cause the markets themselves to shrink because the lumber becomes more expensive, the answer is given in the negative, but it makes it harder for the producer to get his share of a depressed market.

4363 The economy of N.B. is largely based on wood. If the economy of the wood trade goes to pieces the economy of eastern Canada is going to pieces faster than anywhere else. Anything that helps the lumber or pulp or paper or pit wood business in eastern Canada is of great benefit. Anything that goes against it, even if it is small, is a detriment to the country as a whole.

4371 Railway freight rates in Canada are considerably lower than they are in the United States. Witness appreciates this fact but says that the lumber producers in N.B. are practically shut off from the New York area. While water rates, ocean transportation, went up considerably it is now falling very rapidly. N.B. producers are shut off from New York market by reason of the stock coming in from Washington, Oregon and the Carolinas.

4381-82 Transportation Commission of the Maritime Boards of Trade(Contd.)

Reference to 21% Judgment, Page 65 of same, -

"There were submissions that if increased rates were authorized there should be varying percentages of increase, the lower percentage of increase being made on long hauls and the highest percentage of increase on short hauls; it was also suggested that maximum increase should be provided in order to avoid a very large increase upon relatively high rates from distant points of production to important markets.

"One difficulty with respect to the adoption of a varying or maximum increase is apparent namely, the lack of reliable traffic statistics from which to determine the additional revenue which would accrue from flat or maximum increases on particular commodities. Further there is not on the record anything to enable any determination concerning commodities and sections of the country and even the individual rates which could best bear the burden of an increase."

Mr. Matheson is not prepared to go as far as the Maritime provinces and say that there should be a statutory prohibition against horizontal increases. He contends they should be applied always with maxima.

4404 Regarding I.C.C. Co-operative and Co-ordination project (the provisions of this act are now repealed)

"The emergency provisions of the Act of 1933 looked primarily toward the elimination of wastes in the railway industry, particularly unnecessary expenditures arising from the failure of the railroads to coordinate their operations. Specifically, the objectives were (1) to encourage action on the part of the carriers, which would avoid useless duplication of services, control allowances that unduly impaired net earnings, and eliminate other losses; (2) to promote financial reorganization of the carriers, so as to reduce fixed charges; and (3) to provide for the immediate study of means of improving transportation conditions in general.

"For the purpose of carrying out these objectives, the act created the Federal Coordinator of Transportation and three regional coordinating committees, each to be composed of five members selected by the carriers and two members designated by the Coordinator. Plans for accomplishing economies were to be devised by the committees; and if the committees were unable to carry out such plans voluntarily, they were to recommend that the Coordinator issue mandatory orders. Subject to appeal to the Interstate Commerce Commission and to the courts, orders so issued were declared binding, and the carriers were relieved from the antitrust laws to the extent necessary.

4404 "Coordination projects were severely limited. It was provided that the number of employees" --

"The emergency provisions of the act were to remain in force for one year from effective date, with the proviso that they might be extended for another year by presidential proclamation. They were so extended to June 16, 1935, and Congress by joint resolution again extended them to June 16, 1936, at which time they expired. Prior to and after expiration, several studies were published by the Coordinator."

4411-12 Section 36 of the Railway Act provides that B.T.C. may of its own motion or shall upon the request of the Minister undertake certain investigations and make certain determinations. Mr. Matheson wants the section amended to make it obligatory on the B.T.C. to make such enquiries and investigations.

4416-17 Re: Separate Management for Intercolonial Railway -

Question of whether simple amendment to the Act could be just as effective as going to all the trouble to segregate the eastern lines and put them under separate management for rate making purposes, could,

1. Implement rates to meet carrier competition outside the territory,

2. Implement rates to meet market competition,

3. Special rates to encourage industry on its own line without running the same risk under the Railway Act.

4420 If the Intercolonial System was a separate unit for rate making, perhaps they could reduce their rate from St. John into Toronto without running the risk of being charged with unjust discrimination. The suggestion is made by the Chairman that it would be much easier and simpler to amend the Maritime Freight Rates Act and say that this shall not be considered unjust discrimination.

4425 Mr. Matheson is not in favour of creating a planning board or an economic dictatorship out of the B.T.C. The various proposals made by Mr. Matheson are intended as directions to the Board in their consideration of rate matters, particularly also in general revenue cases.

4437 It is contended that public policy necessitates the question of deficit on certain lines but should not be a factor in rate making. It is a matter of national policy and it should be looked upon for what it is and not as something for the management to burden themselves with. In other words it should be paid by the government to the railways.

4442-43 Statement by Mr. Fitch on behalf of transportation on Maritime Boards of Trade say that in the U.S.A. the I.C.C. estimate a loss in passenger service in the United States in the vicinity of Five Hundred and Sixty million dollars and that the shippers felt that recent losses of the passenger service were being loaded on to the freight shippers through increased freight rates.

4444 Reference is made to publication published by I.C.C. entitled "Rules Governing the Separation of Operating Expenses, Railway Taxes, Equipment Rents, and Joint Facility Rents between freight service and Passenger Service on Large Steam Railways." Generally speaking the direct expenses which can be allocated immediately to passenger or to freight are charged daily and account is kept of them on a daily basis; the indirect expenses which cannot be allocated either to the one service or the other are prorated at the end of the year.

4447-48 Mr. Matheson is not in favour of enforced co-operation between the railways if it can be avoided. Contends that the B.T.C. should have the power to look into the question of future and past economies and that there should not be any doubt in that connection. He feels the B.T.C. should investigate, look over and peruse the statements or studies of the railways, the committee studies as to burden and benefit in regard to any pooling arrangement that would apply both in respect to passengers and using the same line where there are two parallel railroads.

4450 Mr. Frawley points out that in the 21% case the provinces took the position that there was an onus on the railways coming in and making out a case or endeavouring to make out a case of financial need - that they must first satisfy the B.T.C. that they had taken every conceivable means under the C.N.-C.P. Act to effect economies and therefore effect a betterment in their financial position, and that until that onus was discharged the B.T.C. was not able to say that they were in financial need.

4456 Reference to Judgment of B.T.C. under 21 per cent case page 40 - points out that B.T.C. has not the duty or authority under the C.N-C.P. Act to require the railway to study and undertake co-operative measures with a view to effecting economies or to review and investigate what measures they have taken or might have taken under such act.

4458 & 4462 The Chairman indicates that there may be an onus on those who are interested locally in the different parts of the country coming forward and pointing out where there should have been co-operation and where there has not been.

4470-71 Suggestion made that the profitable business of the railways was perhaps the short hauls and that it has been breaking away from them because of motor truck competition and that it is now depending more and more on the long haul for its revenue.

It is also suggested that a major objective for the future must be the maintenance of low level of rates and fares and that that should be a major objective in order to create more traffic on the long haul.

4471-72 Mr. Matheson says their organization has in mind the co-ordination of transport services wherever possible, various media of transportation, if necessary, in order to effect economies and to attract the traffic. In this regard he has in mind the question of the railroads coordinating with bus and truck companies in order to give the best service possible and gives as an example, in the Maritimes, the case of the Dominion Atlantic Railway who, instead of operating way freight services, have put on trucks and they supply their customers along their routes in that way.

The national transportation agency recommended by Mr. Matheson would co-ordinate not only Dominion transportation activities but also co-operate with provincial governments in respect of transport services under their jurisdiction. It would operate independent of the B.T.C. and the Air Transport Board which would retain their quasi activities.

4474 This agency would be a sort of research agency set up for the purpose of co-ordination. "It could be within the Department of Transport." "It could function within that Department."

4486 Concerning separate accounting for Eastern lines. C.N.R. want section 6 of the Maritime Freight Rates Act as it now stands - says these accounts are to be kept separate. Mr. Matheson's organization is recommending that they should not be kept separately but that provision should be made for the inclusion of the Eastern Lines operating accounts as part of the System accounts to be kept as part of the whole system.

4489-90 It is recommended that when a rate is found to be unjustly discriminatory the B.T.C. should be authorized to determine and prescribe the exact rate to be charged; it should not be left to the carrier to remove the condition by increasing the lower rate to the higher or reducing the higher to the lower or adjusting both to the common level. In the case of the I.C.C. the practice is that that organization takes the initiative in determining what should be done.

4491-92 It is contended that there should be a reparation section in the railway act and that the B.T.C. should be given power to order a refund, where the rates are unjustly discriminatory.

4493 Contends Section 312 of the Railway Act should be amended to confer upon the B.T.C. jurisdiction over facilities incidental to express services, and refers to some of these facilities in detail.

4498 Recommends that in suspension cases the burden of proof should rest upon the carrier but that there should be some time stipulation included.

4499 Recommends the retention of Crow's Nest pass rates but suggests that studies should be made to see what the normal rate would be and the railways should be reimbursed for any deficiencies.

4503 Mr. Matheson suggests that wherever a rate is imposed on the railway by Act of Parliament that there should follow an examination to see whether they are losing by applying that rate and, if so, they should be compensated and suggests that this procedure apply to all statutory rates.

4514 Is in favour of encouraging traffic by having lower rates on the long hauls. On being questioned by the Chairman as to whether this would lead to the pooling of costs, Mr. Matheson replied that it would hold down the costs.

4517 The question is asked if the East and West are driven to the Central market should there be a different treatment as between East and West in seeking that market freight rate-wise. Mr. Matheson's reply is based on the Confederation argument and the Intercolonial Railway as a result of which he feels the Maritimes should be given every assistance to get into the Central Canadian market.

Mr. Matheson has nothing to say with regard to the request of the Government of N.B. to extend the provisions of the Maritime Freight Rates Act to apply on Eastbound traffic.

4518 The suggestion of the Transportation Commission of the Maritime Boards of Trade is that arbitraries be maintained and that this might necessitate and probably would necessitate a change in the Maritime Freight Rates Act. By maintaining arbitraries the impact of freight rate increases on traffic going both out of and into the Maritime provinces would be lessened.

4528-29 Re: Crow's Nest Pass Rates

Mr. Matheson recommends three things, firstly, an investigation of the compensatory nature of the present grain rates, secondly, suggests a subsidy, i.e. the railways should be reimbursed and thirdly, that the present rates should be maintained.

4533 Reference is made to Maritime Freight Rates Act Section 3 (2) (c) providing that rates reduced to meet competition are subject to reimbursement under the Maritime Freight Rates Act.

4537 Contains an example of the effect of Section 3 (2) (c) of the Maritime Freight Rates Act. Example, the normal rate on a certain commodity over a certain distance is 50¢. The Maritime Freight Rates Act applied to that gives them 40¢ and it is a 40¢ rate although their revenue is 50¢ altogether. They get 40¢ from the shipper and a reimbursement of 20 per cent from the Government which makes a total of 50¢. Now motor truck competition comes along and they reduce that rate from 40¢ to 30¢. The B.T.C. for purposes of reimbursement under the Act establishes a new normal which would be 125 percent of that rate of 30¢. In other words 37½¢. The B.T.C. then makes an order which reduces the 50¢ to 37½¢ and that becomes the newly made normal rate.

4541-4542 Regarding the mechanism of Section 8 of the Maritime Freight Rates Act, once a complaint is made that the Maritimes are prejudicially affected under this section, the B.T.C. with its wide powers should start in to investigate to make a determination and so on. The authority for the onus being on the Board and not on the person who is getting into the market or on the person who is being prejudicially affected is the Potato decision Supreme Court of Canada 46 C.R.C. page 161 at page 164.

"We agree that competitive tariffs especially outside of the select territory are within the contemplation of this section, and when such tariffs prejudicially affect 'the statutory advantages', then 'the Board shall not', the statute directs, 'approve nor allow' such tariffs, and we agree with the Chief Commissioner that these words necessarily imply authority to cancel any rates having such effect; but whether any particular competitive rate has that effect must in each case be a question of fact to be determined by the Board itself.

One of the main contentions of the appellants assumes that the onus of establishing prejudice rests always upon the shippers or the complainants. We do not think that this is so. The Board itself is an administrative body with very wide experience and assisted by a skilled technical staff and is invested with administrative as well as judicial powers and duties; and, when a complaint is presented to the Board that any particular tariff constitutes an infraction of section 8 it is the duty of the Board to

4541-4542 determine the question of prejudice or non-prejudice always keeping in mind that it is the intention of the Act to maintain the statutory advantages in rates given thereby to persons and industries located in the select territory."

4546 Distinction between "Select Territory" and "Preferred Movements" - see section 4 of Maritime Freight Rates Act. The select territory ends at Diamond Junction, but the preferred movement would include the movements going out from the Maritimes right to the Pacific Coast of Canada, and the movements within the Maritime provinces and on exports from the select territory to ports in the Maritime provinces.

Vol 24

4550 & 4554 Mr. Matheson's definition of an arbitrary is a fixed amount added to or deducted from a rate from one station to make a rate from another. He gives an illustration of this as follows: "The rate from Montreal to Toronto, as of April 7th, 1948, was 83¢. That is first class. The rate from Halifax to Toronto as of April 7th, 1948, is $1.04 per one hundred pounds. The difference between 83 cents and $1.04 gives you a first class arbitrary of 21¢. That is your arbitrary. That is the arbitrary. That is the arbitrary that we ask to be maintained." He goes on to point out that it operates both ways - east and west - although it is not the same eastbound as westbound because of the Maritime Freight Rates Act affecting westbound movements.

4552 Mr. Matheson does not want an increase in the arbitrary, although he would find no fault if others thought there should be another increase in the arbitrary east of Fort William which is used to make the western class rates.

The reason for their advocating no increase in the arbitrary is firstly, that these arbitraries tend to lessen the impact of horizontal percentage increases and secondly that they have always felt in the Maritimes that these arbitraries are essential in order to lessen the impact of rate changes and keep the maritimes on a relative competitive basis.

4553 What they are advocating is in fact this, that the rate between Montreal and Toronto would be the base and the arbitrary would be added to that. The base could be increased but the arbitrary would not be and would be added as of April 7th, 1948.

4576 Mr. Matheson expresses the opinion that interchange facilities in the Maritimes are quite satisfactory.

4585 In both Canada and the United States the regulatory authorities consider published through rates higher than combinations of rates prima facie unreasonable.

4586-87 Mr. Matheson on being questioned whether he thinks that zoning of shipping points is a sound and sensible thing in transportation replies "That it is a medium to equalize the impact of long-haul rates and to facilitate competition among producers."

4588 & 4591 Mr. Matheson is questioned whether he is in favour of the proposal that the Maritime Freight Rates Act should operate both east and west and in his reply indicates that he is not in a position to express the opinion of his organization on this question. At page 4591, however, he does indicate that any reduction that would in any way disrupt or upset Maritime industries would have a detrimental effect.

4593-94 Maritime coal fields are not one group for freight rate purposes and to this extend the statement contained in the N.B. Brief to the effect that "the Maritime coal fields are considered as one group for freight rates" is incorrect.

4613 The Chairman expresses the opinion that the demand by Mr. Matheson for separation of the lines in the Maritimes was based on one thing and that was that by having the Intercolonial a separate line they could do certain things without being accused of unjust discrimination which the railway as now composed cannot do. Mr. Matheson at 4613 advises that this understanding is correct.

4633 The Chairman points out that all that would be required to be done in this regard is to amend section 7 and section 8 so as to say that that shall not be considered as unjust discrimination because it is protecting the advantages of the select territory as given by the Act.

PRINCE EDWARD ISLAND

Val 25

Statement by the Premier

4660 Stresses the importance of giving consideration to the various methods of transportation which should be carried on in a small province like Prince Edward Island.

Points out that about 73 percent of people are engaged in the production of foodstuffs, almost all the rest of the population are giving services to the producers in the province.

4665 Thinks that Royal Commission should consider the importance of developing coastal trade and not lay so much stress on the railroads.

4667 Reference to obstruction between the various provinces in trade and the fact that in P.E.I. they are being hemmed in with more and more restrictions when they venture to trade with their neighbouring provinces. Example - a truck wishing to cross to Nova Scotia to carry goods must pay $25.00 for a license before it is allowed to cross the boundary of N.S., and this is a Federal license; also refers to Federal restrictions making it impossible to trade freely in meats - any meat from any point in P.E.I. which is going out of the province has to be inspected by a Dominion Inspector.

4668 Suggests the remedy is simple and that it is merely by saying that the Maritime provinces and Newfoundland would be only one area so far as health restrictions are concerned and that they could trade freely amongst themselves.

4670 Wants P.E.I. ferry put under some other kind of management and controlled by a commission instead of by the C.N.R. - suggests it should be controlled in the interests of the public rather than for the interests of the passengers on the train.

4681 Wants extension of the Wood Island-Cariboo ferry into the winter season, thus allowing trucks to reach Halifax and Sydney as they do in summer and give P.E.I. a very valuable service.

4683 Wants consideration given to amalgamation, for management and operation at least, of the C.P.R. and the C.N.R.

4687-12 Brief of the Province of P.E.I.

Railway conditions must be bettered and the bottle-neck at the port of entry can be eliminated only by the provision of an additional ferry.

-20 A co-operative system should be worked out between the railway and bus service which would readily overcome many of the transportation difficulties of P.E.I. in this regard.

-21 Re: Coastal Shipping

With additional facilities this traffic might be greatly increased since the entry of Newfoundland into Confederation. This might well be an essential feature of economic development for both provinces and an amelioration of their transportation difficulties, the development of markets and the creation of a source of supply for vital needs.

-22 Re: Trans-Canada Highway

Federal assistance should be available to coordinate this essential feature of transportation and by improving the roads in P.E.I. provide a link with the Trans-Canada Highway.

-37 P.E.I. has one geographic disadvantage and this disadvantage reveals the extent to which P.E.I. depends on potatoes, live stock and dairy production in its Agricultural economy. It indicates the importance of fisheries to P.E.I. Of fundamental concern is the marketing of these products. In dealing with the various items for export P.E.I. indicate their outlets for sale are, United States, Quebec and Ontario and that these are all in highly competitive markets. The result is that the return to the producer is determined by the prevailing price less the cost of transporting them to market. If the cost of transportation is too high the return is correspondingly reduced.

-38 All freight traffic of P.E.I. is long haul and must enter into competition with short haul traffic near such competitive markets. Increases in freight rates on other than a dollar basis are definitely discriminatory and where, as in the economy of P.E.I., the margin of profit is small, it may spell disaster to their whole industry.

-41 All imports and exports by rail enter the province through one channel, the Borden Tormentine ferry route. This again emphasizes the tremendous burden cast upon one ferry, increases the possibility of breakdown and brings into startling relief the almost fatal consequences of such an event.

-41 P.E.I. markets are all long haul either to the U.S.A. or Central Canada -- their main source of supply -- Central Canada.

The whole economy of the province depends on adequate transportation facilities, accessibility to markets, and these at reasonable freight or transportation rates.

-46 It is submitted that in respect of international rates, class and commodity, the whole of P.E.I. should be incorporated into one zone and the existing rates modified to reflect the rates from Summerside, P.E.I. It is submitted further that the international rate revisions which resulted in the increase in the number of groups in the basic class rates between P.E.I. and a large territory in the Eastern United States was the converse of the policy which has been strongly advocated respecting Maritime groupings. While it is appreciated that in effecting any revision cognizance must be taken of the U.S. structure, yet it is abundantly clear that in the final analysis the groupings of zoning within the Canadian territory aid the prerogative of the Canadian railroads.

-48 It is submitted that horizontal increases have the effect of discriminating against the primary producers and shippers of P.E.I. products.

-58 Suggests that the Carferry should be considered as part of the national highway system, an interprovincial link, the use of which should be free of all tariffs.

Quotes Premier Jones at Dominion Provincial Conference in August 1945, "Ferries should be a national highway under the terms upon which we entered Confederation."

-60 P.E.I. points out that the ferry service should not be the responsibility of the C.N.R., but a public utility in the hands of a Government Department or independent commission administered free of charge as a Federal compensation for geography and designed as an interprovincial connection which should be both "efficient" and "continuous" in terms of P.E.I.'s needs and subject to periodic reassessment on that basis.

-67 Trucking which has become such an essential feature of modern business as a means of rapid transportation has been severely handicapped insofar as the development of interprovincial trade is concerned. Factors which intervene are,-

1. Prohibitive truck rates, and

2. The method of handling trucks.

-72 Submits that the conversion of the small area of P.E.I. into one rate zone on the same basis as presently existing for the so called Inner Zone, is not only founded on reason but is vitally important to our Agricultural stability.

-76 It is submitted that for the encouragement of greater trading between all sections of the Maritimes joint through rates should be extended. While there exists some doubt as to the powers of the B.T.C. to establish joint through rates subject to the Maritime Freight Rates Act, it is recommended that if there exist any restrictions under the Act to facilitate such arrangements, amendment should forthwith be made.

Any alternative routing privileges via St. John which existed prior to the Maritime Freight Rates Act from points on P.E.I. to stations west thereof in Canada should be re-established. As this would involve amendment to the Maritime Freight Rates Act in the light of the Judgment of the Supreme Court of Canada dated December 16, 1926 (reported 1928 S.C.R. 106) it is recommended that the necessary changes be effected.

-77 & -78 Summary of Submissions

The augmentation and expansion of the provincial income of P.E.I. is limited practically to,-

(a) the tourist business,

(b) fisheries, and

(c) development of agricultural production and expansion of markets.

For all of these the importance of facilities for the prompt and efficient handling of passengers and freight at reasonable rates has been stressed.

Some solution for the outstanding difficulties of transportation militating against the development of P.E.I. must be sought and established in respect of the following matters:-

(a) the adequacy of Carferry service;

(b) the administration of the car ferries, docks and terminals;

(c) the bottleneck at Borden in the handling of freight, trucking, passenger and tourist traffic;

(d) the slow movement of L.C.L. freight;

(e) the intolerable delays in the handling of passengers and mails;

-77 & -78

(f) the physical condition of railway road-bed and equipment productive of such delays;

(g) the anomalous zoning and freight rate inequalities and discrimination;

(h) high freight and express rates and the prejudicial effect of horizontal increases;

(i) the practical maintenance of the benefits of the Maritime Freight Rates Act and its application eastbound to machinery, equipment and supplies for the development of the primary industries of agriculture and fishing;

(j) harbour improvements and coastal shipping.

-78 to-87

Specific Solutions Recommended

(a) A second Carferry.

(b) The operation of the car ferry service by the Department of Transport or by an independent commission.

(c) One freight zone for P.E.I. based on the rates applying in the so-called Inner Zone.

(d) Extension of the benefits of the Maritime Freight Rates Act to compensate for the horizontal increase in freight rates and the extension of the act to include eastbound traffic from points west of Levis and Diamond Junction on the following articles entering into production costs:- Agricultural Machinery, Automobiles, Trucks, Tractors, Fertilizers, Fishing Equipment and Fishing supplies.

(e) A revision and adjustment of the inequalities and discriminations in rate structure, combinations of rates and routings as referred to in the Brief of the Transportation Commission of the Maritime Board of Trade.

(f) Maintaining feed grain assistance.

(g) Newfoundland Trade,-

(i) Coastal shipping - urges the application of the Maritime Freight Rates Act and Dominion Government Subsidies in absorbing part of the cost of loading and discharging operations in respect of cargo received from the railways and that this be extended to all steamship companies operating out of P.E.I. ports engaged in Coastal trade with Newfoundland.

(ii) Subsidized air freight.

(iii) Harbour improvements.

(h) Transportation problems within the Province -- character

-78 to -87 of road-bed, heavy curves, excessive mileage and limitation of freight movements over the Hillsborough Bridge, all contribute to deplorably slow movement of freight, passengers and mails throughout the province. Passenger and mail service is further slowed down by the operation of mixed trains.

Delay in handling of L.C.L. freight from Sackville to P.E.I. -- there is a time saving that could be effected by use of truck services in ferrying a substantial portion of this freight.

Elimination of mixed trains and co-ordination of bus schedules for the handling of passengers would result in considerable savings to the railways and at the same time enable a more expeditious movement of this traffic.

Arrangements could be effected whereby the forwarding of mails by bus would eliminate many of the inconveniences and delays now experienced.

Co-ordination of rail and truck services would enable not only substantial savings but provide better service to shippers and primary producers in getting the produce to markets.

Air transportation would provide additional facilities for the adjustment of all forms of transport designed to fulfill its proper function of service and development.

P.E.I. recommends the establishment of measures designed to ensure co-operative action by the various bodies concerned.

(i) Trans-Canada Highway -- P.E.I. submits that a direct route through Maine to Montreal should be an essential feature of such a national highway.

(j) Projected Maritime Transportation Development,--

(i) West Point - Buctouche Ferry.

(ii) Chignecto Canal.

-89 Concerning Amalgamation --

"If, at the conclusion of the studies of the Commission and after such remedial recommendations are reviewed as the commission may be advised, it is seen that the railway will yet be unable to furnish adequate national service without perpetual and continuous rate increase applications; if the reasonable requests and submissions of P.E.I. and of the other provinces may not be met with justice to all,- railways and citizens alike - P.E.I. submits that amalgamation of the railways of Canada under Government ownership is the only alternative solution. The C.P.R. must, in that event, be acquired by the Dominion of Canada."

-105 If state ownership of all Canadian Railways should become an accomplished fact, it would appear less than logical that the Government after acquiring the C.P.R. would or could then permit continued competition between the two roads. Any proposal involving Government ownership as a solution of the problem must meet therefore;-

(a) the argument for competition;

(b) the argument against monopoly.

-105 Re: the Argument for competition -- the more Society depends on rail regulation, the less does it need rail competition.

-106 Rail must now compete vigorously with highway and with revived water traffic for freight and with highway and air for passenger traffic.

Points out that co-operation achieved under C.N.-C.P. Act has been very slight. Competition and co-operation repel one another and cannot co-exist. Unified management alone can solve the problem of co-operation.

-111 Re: Monopoly

Monopoly today by rail line is practically impossible due to the competition of the motor vehicle, the inland and ocean water routes, the United States railways, etc. Constantly in the background is the judicial bulwark of the B.T.C.

-112 A National Transportation Policy

Canada needs a national policy on transportation and much has been said and written recommending its creation. Amalgamation under Government ownership provides such a policy. Transportation being a national problem, the rate structure must be such as will permit traffic to flow, and if there is any deficiency in revenue the people of Canada as a whole should assume that burden.

-113 Entry has not been made into the abstract theory of railway rates as taxation, which has many proponents. That there is solid foundation for this theory, however, is seen from the mere statement of the proposition:

First -- The railways of the country are the main highways of a country.

Second -- There is no source of revenue for a railway other than the rates imposed upon the people for the carrying of their persons and their goods.

4736 The railway in P.E.I. is very winding and the grades are heavy -- unusually heavy -- and for that reason the railway cannot operate the larger engines, the bridges will not hold them and the curves are bad. This means the railways have to run more trains on the Island; it also means slower service.

4743 Lack of facilities, shortage of refrigerated cars, and the necessity of getting potatoes to certain markets at certain times, causes shipment of products out of the province to be tied up and in some instances stopped.

4744-45 Reference to order in council of 1873 -- provided for "efficient steam service for the convenience of mails and passengers." -- Chairman asks if there is any significance in the fact that it is specifically mentioned here that the efficient steam service shall be for the convenience of mails and passengers and that nothing is said about freight.

4746 Witness points out that people travelling by bus are discriminated against when they arrive at the car ferry at Borden or Tormentine.

4747 Reference to incident when R.C.M.P. on orders of C.N.R. prevented buses from driving down to the pier.

4752 Indicates that buses may be taken over under certain special circumstances, but not on a regular schedule. Advocates that buses should be taken on regular schedules.

4762-63 Witness, on behalf of dairy industry, indicates that there is some traffic by air from P.E.I. to Newfoundland and indicates that this traffic can be increased.

4772-73 Re: Potatoes

Witness states,-

"I estimate that each 1% increase in the existing rates in our Canadian Railroad Tariffs will cost our potato farmers about 4¢ per acre additional for fertilizers and a further 43¢ per acre on the average to deliver their potatoes to the consuming markets. This makes a total of 47¢ per acre additional for each 1% increase in rates. A 20% increase would result in costing these farmers about $9.40 more per acre.

"From such an increase in rates the producers of potatoes near the larger Canadian consuming centres would have more advantage than that which they now enjoy, inasmuch as their costs of delivery would not increase to the same extent as that of ours."

4773 Witness is asked who pays the additional 21% increase and he indicates that no definite statement can be made in this regard, as to what is paid by the producer and the consumer, but that it would depend in each instance on supply and demand. The witness indicates, however, that for the most part it will come out of the producer in his opinion.

4774 Producers of potatoes in Ontario and Quebec use trucks to greater extent and hence are not affected to the same extent by increases in railway freight rates as producers in P.E.I.

4777 No difference in freight rate on seed potatoes and table potatoes.

4778 Seed potatoes generally command higher price than table potatoes.

4786-87 Witness does not think P.E.I. has reached its maximum production of potatoes either table or seed. Witness is of the opinion that with the markets they could grow four or five times as many potatoes -- "Take off the tariff to the American points and we will make Maine feel miserable. Give us satisfactory rates to upper Canadian points. It is the matter of profit that is controlling our acreage. If we did not have a high tariff wall to points along the Atlantic Coast, we would not be asking Ottawa to help pave our roads, or help in this way and that way. We would not be called a depressed area. We have not access to our natural markets because of a high tariff wall, and high freight rates to our Canadian markets.

4788 Witness indicates that in 1948 the cost of growing an acre of potatoes was approximately $200.00 and the loss in that year to this grower was approximately $25.00 per acre. This was an unusual year, however, as there was over-production all over North America.

4790 In P.E.I. potatoes for the most part pass through three hands. First -- there is the man who assembles the potatoes from the producers called a loader, then, there is the shipper, who is generally a firm or individual more or less skilled in seeking out markets. For the most part the shipper sells to a wholesaler in the large centre. The wholesaler then distributes to the retailer. In P.E.I. ownership generally changes with the loader.

4802 In earlier days there were many shipments of potatoes to Montreal by water, but very few now. Apparently the rail rate now in existence is essentially a water compelled rate, even though there are few shipments to Montreal by water.

4808 Comparison on cost of growing potatoes in Ontario with that of P.E.I. -- factors affecting are: Seed, Fertilizer, Labour and Machinery etc. Fertilizer is costing P.E.I. growers more than it is costing Ontario growers. Seed potatoes are cheaper in P.E.I. than in Ontario. P.E.I. producers are able to compete in Ontario market and sell their potatoes at a premium over Ontario producers.

4813 The selling prices of potatoes in the American market and in the Canadian market have a close relation at any time, otherwise that market having the lower price will not get the potatoes because they will be sold in the higher market. The quota in the case of potatoes going to the United States only makes a difference in that after the quota figure has been passed the cost of delivery is increased. It is always a question of supply and demand and cost of delivery.

4821-22 Re: Fish

Geographic situation on P.E.I. works against it in view of the fact that as far as fisheries are concerned they are frozen in for the winter months. The consequence of that is that they cannot profitably, or cannot at all enter into very many fresh fish contracts such as might be found in other parts of the Maritimes or the coastal areas. They cannot put up a plant that could discharge depreciation and operating expenses over a 12 months period of operation, but rather they must discharge their depreciation and operating expenses over a period of operation some times extending from April until October.

4825 The lobster industry accounts for six million dollars of the catch, whereas ground fishing accounts for about twelve million dollars. The lobster industry is on its way down in P.E.I. It is only a two month business.

4827 The main fishing business in P.E.I. is the salt fish industry.

4832 Practically all the fish business including fresh fish, salt fish and lobster is an export business. Very little is consumed in P.E.I.

Vol 26

4839 Letter from Secretary Motor Carrier Board, N.B., addressed to Mr. J. Paul Barry advising that it is the Board's policy not to carry out the provisions of the Act relating to motor trucks as it was found difficult to administer.

4843-44 Figures regarding distances on Intercolonial, Transcontinental and C.P.R. lines and discussion regarding the figure of 250 miles. The mileage to St. John via the Intercolonial as compared to the short line mileage of the C.P.R. is 248.9 miles longer. From Montreal to Moncton via the Intercolonial is approximately 30 miles longer than via the national transcontinental.

4863 Witness on behalf of Co-operative Association of P.E.I. points out that they have quite a few disabilities in transportation in the fact that they cannot use trucks as they can in the other provinces to move their products quickly. It is also pointed out that they import practically everything they use, machinery for production and practically everything that is used in the production of products. Due to the long hauls they consider that any freight rate increase would certainly bear very heavily on them. With regard to potatoes, it is estimated that the 21% increase has cost each farmer in the vicinity of 5¢ a bushel and in addition there is an increased cost of the materials he buys. In the opinion of the witness the average income of the P.E.I. farmer is lower than in any other part of Canada.

4864 Suggests that if necessary the two railroads should be united and if there is a deficit let it be taken out of the Treasury the same as any other public service, rather than having the brunt of the increase in expenses saddled on those who are least able to pay it.

Also suggests l.c.l. freights are too slow and not giving good service.

4868 While l.c.l. shipments apply on goods coming in and on goods going out -- some goods coming from Amherst take seven, eight or ten days.

4872 Re: Potatoes

Percentage of crop going to Canadian markets was smaller this year than ordinarily. In ordinary times it would be 50 to 60 percent, but this year it was cut down quite a lot.

4876 Only a small percentage of agricultural products are marketed through Co-operatives in P.E.I. -- approximately 10 percent.

4882 Re: Poultry

Majority of poultry is sold in P.E.I. Some is shipped to the American market, but this year there is no American market.

4901 Witness on behalf of Provincial Crown Corporation operating shipping service to Newfoundland, states that prior to Newfoundland entering into Confederation there was a total trade between P.E.I. and Newfoundland of something over three million dollars in actual produce, and this was entirely produce going from P.E.I. to Newfoundland.

4901A Anticipates an increase in that trade and attributes the reason for such increase to the current dollar restrictions between Canada and the U.S.A., and the effect of this on Newfoundland.

4903 Shipping rates for this service are set on the form of rates in effect between Halifax and the south coast outports of Newfoundland. They are based on the rail rates, or are actually on the Newfoundland - Canada steamship rates which it is understood in turn are based on the rail rates. They are not subject, however, to regulation.

4916 Re: Potatoes

One witness on behalf of the potato industry indicates 75 percent of his business is marketed by rail, the rest being by boat to the American market.

4918 Approximately 99 percent of this witness' potatoes are marketed on a delivered basis, so that the net return to the producer would be that much less on the increase in freight rates.

4920 There is a difference in the price that a person shipping potatoes would pay to the producer, depending on whether or not he lived within the inner or the outer zone, and thinks it would be as high in some instances, or higher, than 7 cents per hundred pounds.

4921 The inner zone rates are based on the Halifax rates, whereas the outer zone is based on what is known as the Mulgrove rates, Mulgrove being on the Straits of Canso between Cape Breton Island and the mainland.

4922 The whole question of groupings and zones in P.E.I. is the subject matter of proceedings presently before the B.T.C.

4923 To the extent that the B.T.C. may consider geographic and economic considerations not within the scope of their authority, the matter is referred to the Royal Commission for their recommendations, regardless of the eventual result of the application to the B.T.C.

4925 Re: Zoning

Suggests it is unfair to the producer because in P.E.I. they have only one main port of exit from the province -- one rail exit, at Borden.

4928 In some instances it pays to use a truck to bring potatoes from the outer zone into the inner zone thus enabling the shipper to get advantage of the lower freight rate.

4939 Reference to $25 license fee payable on inter-provincial transactions under the Fruit, Vegetable and Honey act.

4944 The requirement of having an annual license under this Act is in order to prevent the spread of disease.

4945 Re: Bus Traffic and Cape Tormentine - Borden Ferry

When the bus unloads its passengers from the Island side and they go across on the ferry, there is another bus waiting to pick them up on the other side.

4954 In all the western provinces there are a certain number of manufacturing industries so that some of the things used are made within those provinces, but in P.E.I. there are practically no manufacturing industries. For this reason, therefore, the people of P.E.I. are more dependent than other provinces upon transportation and the speed of delivery of the things they have to import.

4961-62 Prior to July 1st, 1949, a truck crossing from P.E.I. to N.B., if it was loaded, was entitled to come back over the ferry free, if it was empty. If it was loaded on the return trip the trucker paid 20¢ per hundred for the goods on the truck. Since July 1st, 1949, this rule has been done away with and the truckers pay in any case whether they are full or empty, but at a lesser amount.

4968 Reference is made to the judgment of the 30 percent case where the B.T.C. said that they could not give effect to geographic and economic conditions.

4976 P.E.I. suggests that B.T.C. should have such powers and suggests that this Commission recommend the widening of the powers of the B.T.C. to be able to deal with these matters.

4981 Re: Operation of ferry by C.N.R.

P.E.I. does not consider that ferries should be operated on the basis to make a net profit.

4982 P.E.I. objects to the fact that C.N.R. are operating the ferry at no expense to themselves.

4999 & 5000 P.E.I. believes that the Government is the proprietor of the ferry and instead of having some other company, such as the C.N.R. operate it, the Government should operate it themselves or through some other independent commission to suit the convenience of the people and not merely the railways.

5001 Normally only one ferry operates between Tormentine and Borden, although there are two ferries. The second ferry is used for one week during the month of August and on Labour Day in September, and during the rest of the year it is a standby.

5002 During the last twenty years the physical volume of freight on the Borden-Tormentine Route has more than doubled and yet P.E.I. has not anywhere nearly reached their productive capacity. They estimate that with adequate service, frequent service, and moderate rates, their productive capacity could be very greatly increased.

5003 Tariff of rates on the ferry is filed with the R.T.C. as a competitive tariff, in the same way as any other competitive tariff is filed.

5004-5 The question of interpretation of the order in council under which P.E.I. entered Confederation is referred to. It is pointed out that the Commission would like to know whether or not the order in council is not limited to mails and passenger, i.e. "Efficient steam service for the convenience of mails and passengers...." Secondly as to communicating with the I.C.R. and the railway system as distinct, for instance, from connections with highways, i.e. "....thus placing the Island in continuous communication with the Intercolonial railway and the railway system of Canada."

Witness suggests that there has been a definite acknowledgment on the part of the Dominion Government of their obligation and of their interpretation of that part of the terms of Confederation due to the fact that they have actually, at their own expense, put into effect a system for carrying freight to and from P.E.I. and the completion of the Act is self-evidence of the original intent of the agreement.

5010-11 Re: Telegraphic Communication

The nine miles at sea are charged as if they were nine miles on land.

5021 In the case where there is a line-up of trucks at the ferry the railways co-operate by leaving off some of their railway cars and allowing the trucks to get on the ferry where the trucks are loaded with perishable products. No complaints by P.E.I. of the co-operation of the railways in this regard.

5024-25 Recommendation that there should be another ice-breaking ferry between Cape Tormentine and Borden -- that this boat should operate throughout the summer months, and that both ferries should operate free of all charges to the public.

5028 Re: Zoning

P.E.I. recommends that the outer zone should be on the same basis as the inner zone.

5029-30 Re: Extension of Maritime Freight Rates --

(a) "to be extended to compensate for the horizontal increase" -- P.E.I. recommends for example that the figure 20 percent might be able to be increased to 30 percent.

(b) ".....the benefit of the Maritime Freight Rates Act be extended to include eastbound traffic from points west of Levis and Diamond Junction" -- P.E.I. suggests extension be to the manufacturing centres in Ontario that make such things as agricultural machinery, automobiles, trucks, tractors, fertilizers, fishing equipment and fishing supplies.

5033 Recommends continuance of Feed Grain Assistance Act for at least a stated number of years so that during those years the livestock breeders could go ahead with some assurance that feeds costs would not suddenly rise anywhere from 50 to 60 cents a bag which is what would happen -- in the meantime P.E.I. do want some definite assurance that this Act will be maintained over a certain length of time.

5035 At the present time the assistance under the Feed Grain Assistance Act per ton is $10.30 in P.E.I. It depends on the distance in each case, i.e. if the dealer was near Fort William the assistance would be less.

5044 P.E.I. would have objection to railways taking over bus services or taking over control of bus services, but witness claims he is not in a position to answer that question for the Provincial Government.

5046 P.E.I. thinks all kinds of transportation - coastal and railway, buses and trucking should be coordinated and feels P.E.I. is a good place for that type of co-ordination to be inaugurated. By co-operation between the various services they could all save money and the people would be served better.

5047 So far as trucking is concerned witness feels that rates should be controlled by the province itself under a Motor Carrier Board. At the present time this Board does not fix rates -- its powers would have to be enlarged to do so.

5050-51 Witness feels that West Point ferries should be established even though a second ferry were to be established at Borden - Tormentine and even though there is at the present time the Wood Island-Cariboo ferry. Witness suggests there should be three outlets, one in the East, one in the West and one in the Centre.

5084 Witness states that it would be a reasonable thing to expect trucks to bear their full share of the cost of construction and maintenance of highways.

5086 Suggestion that all the cost over and above the cost of providing highways to carry automobiles should be borne by the trucks.

5109 Re: Northumberland Ferries Limited operating Wood Island-Cariboo Ferry

This line has been subsidized since its inception and despite the increase in traffic the subsidy is now four times what it originally was. An application has been made to the Canadian Maritime Commission to increase this subsidy.

5110-11 Witness suggests that ferry service should operate at nights although this would require more dredging, aids to navigation, more docking equipment facilities etc.

5116 Suggestion made to witness that Wood Island-Cariboo ferry competes to some extent with Borden-Tormentine ferry and at the same time is drawing subsidies from the Government.

5133-5155 Brief of the P.E.I. Boards of Trade

1. Opposed to further freight rate increases. Claims difficulties now exist because of the level and mode of application of existing rates and the losses and vexations arising from the slowness of l.c.l. deliveries.

2. Claim need for additional ferry service to relieve existing bottleneck at Borden-Tormentine.

3. Recommend P.E.I. should constitute one freight rate zone.

4. Urge minimum improvements to include larger boats, aids to navigation, pier and harbour improvements, more frequent, earlier and later crossings, and modern rest-room and restaurant facilities for Wood Island-ferry service.

5. Endorse proposal for establishment of West Point ferry service.

6. Urge provision of suitable boats with cold storage space for Newfoundland trade and coastal shipping, and urge improvement of harbour and port facilities where necessary for its full development.

7. Agree that inadequate transportation facilities are retarding full development of tourist business.

8. Desire direct air service between P.E.I. and Newfoundland to be developed as fully as possible.

9. Endorse proposal for construction of Chignecto Canal.

10. Urge Feed Grain Assistance Act as permanent national policy.

11. Urge definite and early decision as to actual program and route to be undertaken and followed in Trans-Canada Highway.

5133-5155 12. Urge initiation of a policy of co-operation and co-ordination in reference to all forms of transportation to effect greater efficiency and speedier service.

13. Desirous of remedying slow transport of rural mails.

14. (a) Inadequacy of terminal facilities at Charlottetown port.

(b) Imperative that dredging be done at Montague and in upper reaches of Montague River and to the wharves at Montague.

(c) Urge immediate dredging of Alberton Harbour mouth.

(d) Necessity for harbour improvement and improvements to Souris breakwaters.

(e) Urge dredging at Cardigan and Murray Harbour and dock improvements of harbour at Georgetown.

(f) Urge necessity of general pier and harbour improvements at Summerside.

15. Submit that Souris should be made a port of call for the Magdalen Islands' boat an her passages to and from Charlottetown and the Magdalens.

16. Essential that mainland bus connections be improved. This service will not be satisfactory until boats are furnished capable of carrying buses with their passenger loads on regular schedules.

5182 Witness does not think that there are any arrangements for making reservations ahead on ferries at either Tormentine-Borden or Wood Island-Cariboo.

5187 Regarding improvements in the Charlottetown Harbour witness thinks further docking harbour improvements that will benefit producers are essential in view of present congestion.

5188 Witness indicates the pressing need in Charlottetown at the present time for their export is more room, -- not necessarily expensive equipment, expensive sheds but more or less transient sheds where the potatoes can be assembled in the fall before the severe frosts come -- present sheds do not take care of their requirements.

5193 Re: Potatoes

Witness states that certified seed stock about 90 percent shipped to U.S.A., balance to Central Canada.

5198-99 In some instances increase in freight rates as affecting potatoes can be passed on to consumer in Central Canadian market -- this will depend in each case on question of supply and demand and whether it is a buyers or a consumers market.

5223 Re: Proposed Service West Point - Buctouche Ferry

This would provide a direct connection between the central point in one of P.E.I.'s most productive agricultural and fishing areas and the principal manufacturing and consuming centres of N.B.

5225 Such a service would also mean a saving in time and labour to the farmer, particularly through the pick-up and delivery service which would undoubtedly develop if the proposed ferry service were instituted.

5226-27 A further advantage in such a service would be the accessibility to processing plants on the mainland which are not available on P.E.I. e.g. fish freezing plant at Richibucto, N.B.

5228 The sole problem between the two areas in N.B. and P.E.I. is the lack of adequate and efficient transportation.

5257 Proposed service would need subsidizing to the extent of about $90,000.00 per year, and this is the purpose of submitting this brief to the Royal Commission, i.e. to have them recommend to the Government the subsidies necessary to operate this service.

5258 Witness states that in his opinion eventually this service could operate on a profitable basis without subsidy.

5259 Witness states that in his opinion there should still be the West Point - Buctouche ferry, even if the second Tormentine ferry were added and notwithstanding the extensions of the Wood Island-Cariboo ferry.

Vol 28

QUEBEC

5266 Statement by the Honourable C.G. Power in welcoming the Commission to the Province of Quebec - points out that the M.F.R.A. in its operation has caused serious injury and damage to the trade and commerce of the city of Quebec.

5267 "In former years, and historically, the south shore of the St. Lawrence was the outlet for the merchants of this district in which they sold their drygoods, provisions, hardware, and so on. But, with the coming into effect of the Maritime Freight Rates Act, the Maritimers - and I have no doubt they would not admit it at the present time - have succeeded in entering into those markets with their food, supplies, provisions, and other goods; they have entered into those markets which, historically, have been the markets of the city of Quebec for generations.

"Then there was the question of freight rates on grain which agitated the people of Quebec for a considerable period of time. At the present time, I think, grain is being carried past our doors, a distance of some 640 to 650 miles to St. John, for about the same rate that grain is carried to the port of Quebec."

5274 Submission by Canada & Gulf Terminal Railway. Witness - Honourable C.G. Power.

Canada & Gulf Terminal Railway encountered many difficulties in the early financing and building of its line of railway. The Federal Government assisted this railway as it did many other railways in the early days by passing a series of subsidy acts designed to provide financial assistance in the building of the various railroad lines to which these acts were extended.

The Subsidy Act 1903 provided for the grant of a certain fixed sum of money per mile of trackage built or to be built by the subsidized railway company. The Canada & Gulf Terminal Railway received approximately $210,000 in virtue of this provision.

The Act also determined the obligations which were to be assumed by the subsidized railway companies in compensation for the sums received. Some of these obligations were:

5276 "Every Company receiving a subsidy under this act, its successors and assigns, and any person or Company controlling or operating the railway or portion of railway subsidized under this Act, shall each year furnish to the Government of Canada transportation for men, supplies, materials and mails over the portion of the lines in respect of which it has received such subsidy, and whenever required shall furnish mail cars properly equipped for such mail service; and such transportation and service shall be performed at such rates as are agreed upon between the Minister of the Department of the Government for which such service is being performed and the Company performing it, and in case of disagreement, then at such rates as are approved by the Governor in Council; and in or towards payment for such charges the Government of Canada shall be credited by the Company with a sum equal the 3% per annum on the amount of the subsidy received by the Company under this Act."

5277 In administering the Act the practice was for the Government Department concerned to withhold payment of sums due to the railways for services to each individual department and to pay that amount directly to the Department of Finance. In the course of time all government departments, except that of the Postmaster General, abandoned the practice entirely, as being too cumbersome and involving too much in the way of book-keeping. In 1919 this relief was confirmed and competed insofar as certain lines of railway were concerned, by an order from the Deputy Minister of Finance instructing the Post Office and other departments to ignore the provisions of the Subsidy Act, insofar as those lines were concerned on the ground that these lines had become part of the Canadian National Railways and it was only a matter of interdepartmental book-keeping.

5278 Submits that the Subsidy Act 1903 should now be repealed since it is obsolete and administered in a discriminatory manner.

5279 Canada & Gulf Terminal Railway was granted a subsidy of $210,000. Under the terms of section 7 of the Subsidy Act it was obliged annually to credit the Government with an amount equivalent to 3% of this sum, that is to say approximately $6,000. At the end of each year the railway would forward to the Department concerned a bill for services rendered. When the amount due by the Department was less than the $6,000 credited to the Government, the Department in question would make payment not to the Canada & Gulf Terminal Railway but directly to the Department of Finance. However, should there be any surplus over and above the $6,000 credited to the Government, then such balance would be paid the Canada & Gulf Terminal Railway. Since all departments except the Post Office considered that this procedure involved considerably more trouble than it was worth, they abandoned it.

The Canada & Gulf Terminal Railway was not released from its financial obligation by the Order in Council of 1919, since it was not one of the railways taken over by the C.N.R. It is a provincial railway and is therefore not even subject to Federal jurisdiction. The only relation between it and the Federal Government is the contractual one established by virtue of the Subsidy Act.

5281 and 5282 Submits the Subsidy Act of 1903 as amended is prejudicial to the best interests of the generality of Canadian railways subject to it and particularly to those of Canada & Gulf Terminal Railway because:

1. It is obsolete.

2. Certain lines which received equal if not greater benefits are not subject to it.

3. It is not being applied to all railway lines to whom its provisions originally extended.

4. It is not being applied by all departments of the Government.

5. The practice of the Post Office Department in arbitrarily and unilaterally fixing rates for the carriage of mails so low as to preclude the railways from earning sums equal to the annual amount due to the government under the Act, constitutes a hardship for the railways.

6. The aggregate amounts collected from all the railway lines still subject to the Act is infinitesimal taking into consideration the enormous financial operations of the major railways and the government.

5283 Recommends the abrogation of the Subsidy Act 1903 as amended, together with the further recommendation that the provisions of the Act be suspended until such time as the Act itself is repealed.

5291 Witness says he understand the rates on the Canada & Gulf Terminal Railway are a little higher than the standard rates for the carriage of freight over the C.N.R.

5293 With regard to recovery under the M.V.R.A., Mr. O'Donnell, on behalf of the C.N.R., points out that the Canada & Gulf Terminal Railway does receive subsidies from the Dominion Government and that in 1948 the amount received was $17,118.70. From 1927 through to 1948 the total amount received was $174,833.00.

5293 to 5362 Submission by the Saguenay Council on Economic Planning.

Witness - Mr. P. Grenier.

(the pages following refer to the page numbers of the translation)

Page 6 The Saguenay Council opposes any increase in the freight and express rates for the Saguenay region.

They are of the opinion that a just and reasonable rate structure should be established and that the standardization of freight rates should be recognized in the greatest possible measure as constituting the sole means of treating all parts of Canada equitably and as being the best method to facilitate the exchange of commodities between different parts of the country, to encourage industry and agriculture and foster the development of export trade.

13 Witness suggests that the national policy on transportation should relate to railway matters. As for transportation by trucks and other means, witness says it is rather difficult to take away the autonomy of the Province in this regard since the Province built the highways and looks after their upkeep.

14 With reference to the suggestion that there should be a co-ordinating commission of the various transportation services and that the Federal Government and the Provinces be represented on that Commission, the witness makes no comment other than to stress the necessity of the Province being represented.

18 Witness stresses inadequacies and slowness of transportation in the Saguenay region and suggests that this is why there is a greater use of trucks.

19 Wants a pick-up for both express and freight carriage.

Regarding passenger service, witness refers to lack of air-conditioned coaches - steel coaches - points out coaches are uncomfortable and not always up to a proper standard of cleanliness.

24 Witness points out importance of rail for long hauls and suggests that trucks are not practical over long distances.

33 With regard to standardization of rates the witness explained that he means that the same conditions, the same rates and that the rates should be standardized for the whole country and should be equal in the various parts of the country.

35 Witness claims high freight rates undoubtedly exert some influence in export trade.

38 Refers to controlling of trucking in Quebec and it is pointed out that there is a "Provincial Transport Commission" but that this Commission does not control or regulate rates and the truckers charge what they can obtain.

39 Mr. O'Donnell refers to the fact that there is no such schedule of rates in regard to coastal vessels and they compete against the railways without being compelled to have set rates.

40 Refers to fact that in summertime buses take passenger business from railways in Saguenay region, as do aeroplanes.

52 The Chairman asks "When rate increases are necessary for the whole country, is it your opinion that such increase should be established proportionally according to the mileage".

The answer of the witness is "a readjustment could be effected between the different regions by means of subsidies or in some other manner".

53 Witness says that the basic problem is one of competition with stress on rapid transportation and that that is what matters most with people and that that is why they insist on trucks. In the view of the witness rates have very little to do with the problem, at least in the Saguenay region.

54 Regarding standardization of rates, witness feels that all rates should be standardized regardless of distances but taking certain distances into account there should be subsidies to cover the difference.

55 Witness says "by standardization, I mean that the classification is the same for different types of materials according to the mileage, but when there is a very wide spread in the matter of distance for different goods, let the gap be covered or closed by a subsidy, so as not to handicap one region by comparison with another, and establish a relationship between the different regions.

Vol 29

MONTREAL, QUEBEC

5501 Submission by Dominion Steel and Coal Corporation Limited.

Witness - Mr. L. A. Forsyth, K. C.

5510 Instead of reducing the class rates the B.T.C. should select what is considered basic commodities such as grain, forest products, coal, iron and steel. It is understood, however, that the B.T.C. felt it is prevented from working out the proposition in this way since when the advances were made they were made horizontally, and some declaration had been made at the time these advances were made that reductions when they came would also be made horizontally.

5512 Suggested that the M.F.R.A. was designed to bring about the relative parity of freight rates, with 1912 as the basic year, as between Maritime traffic and all other Canadian traffic.

Suggested the desirability of amendments to the law such as will not only enable the B.T.C. but will compel them to deal with freight rate applications before them in such wise as to relieve against the prejudice to the traffic of the Dosco plant which the Duncan Commission and the railway administration had agreed in 1926 been created by horizontal increases and which it is equally evident has been perpetuated and aggravated by the horizontal increases recently ordered.

5514 Witness points out that competitive rates could not come into effect in the Maritimes to the same extent as in central Canada because of the fact that the principal competitor to Dosco is located in an area where the movement of many of its products by motor truck is not only more feasible but is more convenient to rail movement and consequently the competitive position in markets which Dosco must reach is certainly prejudiced by the existence and operation of so called competitive rates.

This demonstrates that the steel industry in Nova Scotia suffers a handicap arising from this geographical

location from which the M.F.R.A. apparently offers no amelioration and which the horizontal increases have aggravated to the point where some remedy must be found.

5515 The steel industry in Nova Scotia when operating normally supports wage-earning communities comprising not less than one-quarter of the population of the Provinces.

Unless the industry in time of peace is maintained in a healthy state, it will not be ready for the emergencies of war.

5516 Witness refers to U.S. railways and the I.C.C. policy which recognize the highly complex market conditions and the competitive nature of the iron and steel business.

Witness goes on to point out that "ex parte 162" gave effect to the request made by the railways that the increase on iron and steel products be limited in all instances to a maximum of 80¢ per ton.

Witness also goes on to state that it is Dosco's view that a formula which recognizes the principle accepted by the I.C.C. would afford a reasonable solution to their difficulties.

5517 "What we suggest is that if we take as a starting point the rates applicable to the movement of our products from plants in Nova Scotia to other parts of Canada as those rates stood prior to the increases ordered in 1948, any increase in the freight rate on any commodity from any one of our Nova Scotia plants to a given point elsewhere in Canada should be limited to the amount in dollars which our competitors would be required to pay by way of increased freight upon the same commodity to reach the same point."

5518 Suggests that present difficulty in freight rate structure is found in absence of the application over a long period of time of plan and principle in the creation of that structure.

Suggests that limitations in the railway have been imposed which prevented the exercising of the judgment and

discretion required by changing conditions in the economic development of the country.

Recommends, therefore, drastic revision of the Railway Act.

5519 If necessary this revision should be sought either by agreement or constitutional amendment to centralize the control of transportation rates in a regulating tribunal, the personnel of which should be appointed under auspices which would ensure public confidence in its ability to afford a due measure of protection for all conflicting interests.

5519A to 5519C Location of Dosco's plants at Sydney, N.S., Trenton, N.S., Halifax, N.S., St. John, N.B., Montreal, Quebec, Toronto, Ontario, Ojibway, Ontario and Walkerville, Ontario.

Witness suggests that if the movement of steel in primary or secondary from to their plant at Montreal is assisted in some form or other by consideration of the rate, then the ultimate remineration of the railway might easily be found in the movement of manufactured products from Montreal.

5519H Witness feels that horizontal increase as granted by the B.T.C. in the 21% Case was the wrong way of deriving revenue for the railways.

5519J Taking the M.F.R.A. as a starting point in 1927 witness suggests that on any occasion when you start from somewhere and you are going to change a rate, then the method of changing it, the amount of variation and all those things must have some effect upon the trading pattern of the people who are producing the goods that are to be moved.

Suggests that the B.T.C. should have power to investigate such suggestions and to exercise their judgment so as to disturb that trading pattern as little as possible if it is a pattern that should not be disturbed.

5522 Witness contends that when the trading pattern changes the freight rate structure should be sufficiently elastic, and there should be sufficient power in the controlling Board to adapt itself to these changing conditions and he does not think that the freight rate structure should be made the instrument of change in the trading pattern.

Thinks that horizontal increase in respect of long haul products, basic commodities, is wrong and cites steel as an example where the freight rate affecting either the primary or finished form is a very important item.

5524 Suggests that Duncan Commission was satisfied that horizontal increases were prejudicial to basic commodities.

5526 Refers again to U.S. railways and I.C.C. policy where movement of steel is dealt with on other than the horizontal principal.

5527 Points out that horizontal increase aggravates the differential every time and for this reason is particularly objectionable from the point of view of basic commodities.

5530 Witness states that for many years it was recognized that in order for the steel industry in Nova Scotia to get to central markets they not only had to have the benefit of some consideration in the establishment of rates on long haul freight, but also had to have a labour differential as against the Steel Company of Canada situated in Ontario.

5533 Suggests as an alternative to horizontal increase that there be a maximum imposed, the result of which would retain the differential between the steel industry in Nova Scotia and other competitors in Ontario.

5535 Reference again to need for centralized control of all forms of transportation although witness recognizes difficulty of this from a constitutional point of view.

5536 and 5537 Thinks trucking should be regulated and that this regulation should apply to not only supervision of the rate structure but also the requirement prove necessity

and convenience before obtaining a license to operate.

Reference to great difference between trucking and railway with respect to capital investment required.

5546 Mr. Sinclair, on behalf of the C.P.R., suggested that three methods of increasing freight rates have been recommended -- a flat percentage - a percentage with a maximum - and a straight cents per hundred pounds increase. The suggestion put forward by Dosco is not a straight percentage with a maximum but it takes in the competitive factor and a levelling of competitive rates between various points. Mr. Sinclair suggests that this is a request for a special privilege, i.e. a special rate by the steel industry of Dosco.

5559 and 5560 Mr. O'Donnell on behalf of the C.N.R. suggests that if trade development is to be taken into consideration then it is not merely the incidence of the Railway charge on the cost of production but it is also the relationship of other costs and to the general trading results of the interest involved. If the competitor of the complainant has an advantage, for instance, in certain cases, that advantage must be weighed against its disadvantages and compared to the advantages or disadvantages of the other company.

5571 Submission by Mr. Seraphin Ouimet.

5600 Cross examination of Mr. Forsyth resumed.

5601 Recommends preservation of any differential created by the M.F.R.A.

5602 Refers to Judgment of B.T.C. in 21% Case where it is stated "One difficulty with respect to the adoption of a varying or maximum increase is apparant, namely the lack of reliable traffic statistics from which to determine the additional revenue which would accrue from flat or maximum increases on particular commodities. Further there is not on the record anything to anable any determination concerning the commodities and sections of the country and even the individual rates which could best bear the burden of an increase.

5604 Refers to function of B.T.C. is to determine reasonable rates and that these rates must be reasonable from the point of view of the railways as well as from the point of view of the shippers.

Suggests that if the B.T.C. has not the power to get before it traffic statistics which will enable it to consider questions of this kind that the B.T.C. should have such powers.

5605 and 5606 Witness refers to Judgment in the case of Canadian China Clay Company vs. Grand Trunk, Canadian Pacific and Canadian Northern Cos. (1915), which states "it has been held time and again that rate-regulating commissions have no right whatever to attempt to equalize geographic, climatic, or economic conditions. They are concerned simply and wholly with the question of the reasonableness of the toll which the railway company is seeking to collect for the carriage of a given commodity, irrespective of how it is made, or whence it comes."

5606 Refers again to I.C.C. "ex parte 162" where the I.C.C. indicates it has the power to attempt to equalize certain economic conditions.

5608 Witness agrees that B.T.C. could not assume the functions of an economic planning board but witness does suggest that B.T.C. should have the power which would enable it to test the reasonableness of the results of their inquiries.

5624 Witness thinks it would be rather unfair for him to suggest that the B.T.C. should have to assess the strategic value of industries. He thinks this would be going too far.

5630 Witness thinks that statutory rates are matters beyond the jurisdiction of the B.T.C. and these are matters that Parliament has dealt with as a matter of policy and therefore have been removed from the scope of the B.T.C.

5631 Witness refers to Railway Act and to the fact that very few sections in that Statute are devoted to dealing with the powers of the B.T.C. and that very many sections seem to be dealing with things that are not in the judgment

Witness to functions of A.T.C. is to determine precisely
rates and that other rates may be reasonable from the
point of view of the railways as well as from the points of
view of the shippers.

Assuming that if the A.T.C. has but has, prior to
set before it traffic consideration which will enable it
to consider questions of this kind such the A.T.C. would
have such powers.

Witness refers to judgment in the case of Canadian
Cities Coal Company v. Canadian Pacific, Canadian Northern and
Canadian Northern Ont. (1915), which states it has been
held time and again that rate-making considerations have
no right whatever to attempt to specialize competition, climate,
or economic conditions. They are concerned only and solely
with the question of the reasonableness of the rate. The
railway company is entitled to charge for the service
given commodity, irrespective of any other, or whatever it
comes.

Refers again to I. C. C. v. Delaware Lac. where the
Interstate it has the power to consider to the
economic conditions.

Witness states the A.T.C. could not support the
of an economic planning board and if there was support the
A.T.C. should have the power which would enable it to
the reasonableness of the rates of freight.

Witness thinks it would be rather unwise for the
to assume that the A.T.C. should have to assess the
value or indemnities. He thinks that would be going too far.

Witness believes that statutory action are not
the jurisdiction of the A.T.C. and those are matters
Parliament has dealt with as a matter of policy and
have been removed from the control of the A.T.C.

Witness refers to Railway Act and to the fact that
very few sections in that Act have been repealed or modified
the powers of the A.T.C. and that they are

of the witness quite as important.

5635 With regard to centralization of the controlling of transportation rates in the regulating tribunal the witness suggests that this should be one tribunal covering all forms of transportation.

5636 He states "in order to get one regulatory tribunal you have to take from the provinces, or they have to agree to surrender certain controls they now have. It seemed to me that if the provinces were prepared to make some concession on that in the interests of the whole country then it was only reasonable to suggest that in the selection of personnel on the regulatory tribunal the provinces as such might have some voice."

Suggests that the B.T.C. might comprise ten members who represent each province with the provinces having some voice in the selection of the personnel.

5643 Refers to estimate given by Mr. Knowles in 21% Case - that the percentage of business carried at competitive rates was about 16% of the total business of the C.N.R. in 1947.

5648 Witness does not recommend curtailing present powers of B.T.C. with regard to fixing just and reasonable rates.

5650 Mr. O'Donnell, on behalf of the C.N.R., suggests that Bosco and the lumber industry in British Columbia are the only two cases that have been drawn to the attention of the B.T.C. as industries that have been prejudicially affected by the 21% horizontal increase, although the B.T.C. in its judgment suggested that industries who were prejudicially affected might make special representations.

5654 and 5655 Horizontal increases have been used not only in Canada but also in England and the U.S.A. by way of granting relief to the railways where they needed financial relief to meet increased cost of operation.

Witness suggests that in Ex Parte 162 the I.C.C. in the U.S.A. excepted the steel industry from the horizontal increases.

Mr. O'Donnell points out that there were two later Judgments Ex parte 166 and 168 and in a later case a straight percentage of 6% with no maximum was granted by way of emergency relief to the railways although this was a temporary relief.

Vol 30

5700 Submission by Canadian Manufacturers' Association. Witness - Mr. Stuart B. Brown.

5702 Refers to statement made by C.M.A. to Dominion and Provincial Governments outlining need for a national transportation policy. This statement appears on page 5719 of the Transcript of Evidence.

5703 C.M.A. proposal as to policy is based upon four principles:

1. That the inherent advantage of each class or type of carrier should be recognized and preserved.

2. That each carrier must secure an authorization, sometimes called "A Certificate of Necessity and Convenience", before it may operate a service.

3. That the services and rates of such carriers must be reasonable and free from undue preference or unjust discrimination.

4. That the administrative tribunals or boards should be clothed with adequate powers, staffed with experienced personnel and be independent in dealing with matters falling within their jurisdiction.

5706 C.M.A. believes that provisions of Railway Act and powers of the B.T.C. as presently constituted are adequate (except for the lack of a reparations section) to enable that body to deal with any complaint alleging violation of the carrier's obligation to provide a reasonable service at reasonable rates, free from unjust discrimination or undue preference.

5707 Refers to Crow's West Pass grain rates and Maritime Freight Rates Act. Believes that method used to compensate the railway companies under the Crow's West Pass Agreement as compared with that under the Maritime Freight Rates Act is in effect unjust discrimination, although B.T.C. is precluded from dealing with this matter by certain provisions of the Railway Act.

5709 Suggests that the Governor-in-Council could ask B.T.C. to investigate and report as to the reasonable normal rates for the movement of the grain and that this would make it possible to determine whether or not and to what extent that statutory rates are less than the reasonable rates. This would determine the amount of difference but there would still be required some action possibly by way of amending legislation whereby the B.T.C. would be directed to determine the normal reasonable rates from time to time and certify each year as to the amount representing the difference between the statutory and the normal rate.

5711 C.M.A. believes there should be uniformity in accounting methods and statistical procedure of railways.

5712 C.M.A. submits that amounts chargeable to freight service should be accounted for separately from those chargeable to passenger service and recommends adoption of formula used by the I.C.C.

5713 Under the Railway Act B.T.C. is without power to authorize the reparations.

5715 to 5718

Reference to certain judgments of B.T.C. dealing with subject of reparations.

5719 C.M.A. submits there should be an amendment to the Railway Act providing the authorization of reparations by the B.T.C. In this regard they have prepared a proposed amendment and this will be found at page 5727 of the transcript of evidence.

5722 C.M.A. objects to Agreed Charges as laid down in Part V of the Transport Act of 1938.

5725 List of decisions affirming lack of jurisiction of B.T.C. to direct refunds or award reparation.

5727 Proposed amendment to Railway Act regarding reparations.

5731 C.M.A. do not want to eliminate competition between different carriers but stresses the necessity that competition be reasonable.

5755 and 5756 Does not suggest any amendment of Railway Act regarding abandonments but thinks that when application to open a new railway is being considered that consideration should also be given to whether or not there is already another service established there, truck service, water service or air service.

5758 C.M.A. believes it is better to publish the rates of carriers and have them in the open rather than to have them not published.

5760 Does not advocate amending British North America Act to bring all carriers under one body. This has reference to their fourth principle of transportation policy:

> "That the administrative tribunals or boards should be clothed with adequate powers, staffed with experienced personnel and be independent in dealing with matters falling within their jurisdiction."

5764 C.M.A. considers B.T.C. has adequate staff of experienced personnel.

5769 Refers to Agreed Charges as provided in Section 35 of the Transport Act. C.M.A. does not believe that this is a satisfactory way to make rates. They believe rates should be published in tariff form open to everybody, and each shipper who wishes may ship his product in the quantity specified, either less than carload or carload, and not on the basis of tonnage, and without entering into any agreement.

5775 The larger competitor can go to the railways and get an Agreed Charge, whereas the smaller than may not be able to get into the agreement at all, because he may not be able to give them the terms.

5781 Witness does not think a trucker should be able to say to a shipper: If you give me all your business, I will give you a better rate, and their concept of regulation of truckers would include the prevention of such a thing.

5784 The provisions of the Transport Act with reference to Agreed Charges provide: "The Board shall not approve an Agreed charge unless the competing carriers by rail join in making the agreed charge."

5792 Witness thinks that regulation of motor carriers would bring about better business practices, inasmuch as they would have to conform to certain policies, keep certain accounts, etc.

Suggests certain unreasonable practices employed by truckers today; one of these is the fact that they pick and choose their business.

5800 Another unfair practice referred to by the witness is that of rate-cutting whereby the smaller trucker will be thrown out of business and lose his investment.

5806 Does not suggest any widening of the scope of the B.T.C. to take in economic or geographic considerations. C.R.A. would leave the Railway Act the way it is, with the exception of the proposed amendment regarding reparations.

5833 Advocates that Crow's Nest Pass grain rates should be put on the same basis as the Maritime Freight Rates Act and that the Government should make up the difference, if any is required, to the railways, as they do now under the M.F.R.A. Also suggests that provision be made whereby normal rate could be reviewed every three years as is done in the case of M.F.R.A.

5823 Develops reference for advocating uniformity of accounting methods and for suggestion that amounts chargeable to freight and passenger service should be separately indicated.

5838 Reference is made to I.C.C. practice regarding reparation and it is pointed out that in the United States the person who feels aggrieved may either go to court or to the I.C.C. - that he has an alternative procedure.

5871 and 5872 Witness is questioned on the method of applying a reparation situation and advocates practice similar to that used by the I.C.C. although witness does not indicate that he is familiar with the detailed application of such policy.

[illegible] Witness is questioned on his recommendation that freight and passenger service accounts be kept separately and the suggestion is made to him that the same purpose could be accomplished by periodical investigations or studies with a separation of these accounts taking place at that time, without the necessity of having the accounts kept separately at all times. Witness declines to give any opinion on this subject.

[illegible] Witness is questioned regarding Agreed Charges provision of the Transport Act and it is pointed out that the intent of the provision is to assist the Revenue Commission of the Railways; It is also suggested to the witness that without the benefit of the Agreed Charges whereby, for instance, the railway would make a contract with the shipper to get all the shipper's traffic, the shipper would be in a position, if he were using, for instance, low rated heavy basic raw materials, to use the railway for the purpose of bringing those materials into his plant, and then upon shipping the finished product, distribute them on a higher rate, more remunerative as a type of traffic, and shipping them out of his plant by using trucks or some other media of transportation. Without an Agreed Charge the shipper would be free to use a competitive rate or a special rate, as it pleased him but with an Agreed Charge the shipper must use the railway at all times to the extent of the agreement that he says he will do so.

5917 Regarding reparations it is suggested to the witness that the reparations policy should work both ways, that is for the shipper and for the railways, so that if the rates were too low the railway would be entitled to get reparations. The witness declines to comment on this subject.

Vol 31

5919 Submission by Ship-by-Rail Association of Canada. Witness - Mr. P. B. Huston.

Suggests that Royal Commission should consider the adoption of a national transportation policy within which highway as well as rail services may be uniformly regulated and controlled so as to give the people of Canada the benefit of the best possible transportation services at the lowest real cost.

5920 Points out that highway transport in each Province is regulated in a different manner and in some Provinces there is no regulation at all. Also refers to difficulties where there is no control of through operations by trucks from one Province to another.

5921 Points out that they are not trying to urge legislation which will put the public commercial vehicles off the highway.

5922 Urges investigation of highway transport industry with a view to recommending the co-ordination of the Federal and Provincial Governments in establishing some form of centralized control. Such control to ensure uniformity of regulation, eliminate unfair and uneconomical competition, provides jurisdiction over international and inter-provincial highway traffic, and could be authorized to act as an appeal board.

Suggests control of international and interprovincial highway transport should be assumed by the Federal Government.

5925 Witness says that their organization has come to the conclusion that possibly a collaboration between the provinces with a Dominion Chairman, setting up a central authority, would be the proper method of forming a national transportation policy.

5924 Witness suggests that trucks should operate as feeders to railways.

5926 Refers to Chevrier Commission in Ontario which went into the matter of whether trucks and buses were being charged licenses that bore a reasonable to the cost of construction and maintenance of the highways which were being used by them.

5927 Witness says that it is their Association's thought that the cost of construction and maintenance of the highways should be borne by the users and evidence is showing from information received from time to time that the heavy transports are damaging the highways.

Witness thinks that they should pay their fair share of the cost of construction and maintenance of the highways, because at the present time the highways are not being constructed with a view to weather conditions but rather to meet the heavy weights that are being carried over them.

5928 Submission by Canadian Industrial Traffic League. Witness - Mr. George Paul.

5960 Refers to Crow's Nest Pass Agreement and points out that Canadian Industrial Traffic League objects to the principle of establishing the rates by Statute, whereby they are removed from the jurisdiction of the B.T.C. and no provision is made for consideration or adjustment of the same by the B.T.C. in order to reflect changing economic conditions.

5961 Reference to M.F.R.A. and points out that the principle underlying this Act is fundamentally different from that of the Crow's Nest Pass Agreement.

Witness submits that where economic, geographic, or other conditions exist in certain sections of Canada which in the national interest require special treatment, the cost or burden should not be placed on the carriers, and thus on the users of transportation services, but should be borne by the country as a whole. They suggest, therefore, that this Commission recommend in its report that the Governor-in-Council require the B.T.C. to determine what are reasonable rates on grain and grain products in the territories covered by the Crow's Nest rates and that the difference between the statutory rates and the normal reasonable rates so determined be borne by the National Treasury similar to the M.F.R.A.

5962 Recommend that uniform system of accounting and uniform system of statistical procedure be instituted by Canadian railways.

5963 Refers to C.N.-C.P. Act, 1933, and suggests that the spirit of the Act is weakened by the fact that the B.T.C. has not given adequate jurisdiction under its terms. Submits therefore that this Commission recommend the imposition of direct duties on and granting the necessary authority to the B.T.C. with regard to the fullest possible implementation of the Act.

Refers to Section 325 of the Railway Act and points out the lack of reparation provisions --- suggests that this be rectified by the adoption of reparation provisions similar to those in force in the U.S.A. by the I.C.C.

5964 Witness states that they hold it as fundamental that no action should be taken by the Federal or by any Provincial authorities which permits of undue preference or unfair discrimination by one section of the country by one class of transport against another, but rather that in every case each type of carrier serve the broad national economy by operating in that field for which it is best suited.

Regarding railways the Canadian Industrial Traffic League feels that existing regulations are in general adequate.

5967 Regarding highways suggest that the difficulties of the past have been due to the evils resulting from the lack of adequate regulation, which permitted unsound competition and the invasion, in some cases, of the more adequately regulated sphere of rail, and to a degree, of other transport at rates which did not reflect the costs of service. They recommend, therefore, that the existing regulations should be broadened to deal adequately with these evils.

Also recommends that the costs of highway construction and maintenance be examined with a view to ascertaining whether the Motor Transport industry pays its fair share. The facts thereof and the principle involved therein should, they believe, be authoritatively established and made known.

Refers to water transportation and states that the wasteful competitive practices which existed in the past in inland services have been curbed by the establishment of regulations in the Transport Act of 193 . They advocate similar regulations for water services between the Eastern and Western Canadian coasts.

5968 Refers to Air Transport and the A.T.B. and suggests that the existing regulations administered in part by a Department of the Government and in part by the B.T.C. should be combined and administered by an independent Board, preferably the B.T.C.

5969 Canadian Industrial Traffic League submits the following as a statement of broad principles which in their opinion, should govern transportation in Canada whether under Federal or Provincial jurisdiction:

(a) The inherent advantages of each type of transportation should be recognized and preserved.

(b) No restriction should be imposed which would unduly prejudice any type of transportation in favour of another.

(c) Safe, adequate and economic conditions of transport should be promoted by, inter alia, the establishment and maintenance of reasonable charges for services rendered, free from unjust discrimination or undue prejudice of preference between persons or localities.

(d) Unfair or destructive competitive practices should be prohibited whether between carriers of the same class or type or between carriers of a different class or type.

(e) All carriers should be permitted to engage in any class or type of transportation so long as the regulatory tribunal finds that such activity is necessary and convenient in the public interest.

(f) The competence of anyone affected [carrier or person] to file a complaint with the regulatory tribunal should be sanctioned by statute.

In our opinion conformity to these principles can only be achieved by the sound regulation of all common carrier transportation agencies, and with administration thereof being vested in bodies having judicial powers, preferably in the Board of Transport Commissioners for Canada where federal jurisdiction is involved, i.e., in inter-provincial and international traffic and in independent boards established by provincial legislatures and with similar judicial powers over shipments moving locally within the individual provinces.

5970 to 5973 Contains an Appendix outlining in more detail the Regulation Details proposed by the Canadian Industrial Traffic League and deals with such matters as Necessity and Convenience, Proof of Financial Responsibility, Tariffs, Systems of Rates, Bills of Lading, Accounts, System of Rate Making, Cost and Value of Service, Reasonableness, Unjust Discrimination, Compensatory Tolls and Connecting Services.

5973 Refers to the effect of reparations in the U.S. and witness states while he has not made a study of it, it is his understanding that the operation of the reparations has been successful from the point of view of the shipper.

5997 Witness refers to C.N.-C.P. Act and suggest that it would be desirable if there was a similar regulation applying in each Province to all trucks.

5998 Thinks Motor Transport should pay its fair share of the cost of maintenance of public highways.

6000 Witness stresses importance of obtaining uniformity of regulations in all the Provinces.

6004 Suggests that every trucking concern should have to file its rates in some place where they would be available to everyone to look at.

6005 Canadian Industrial Traffic League is not concerned with uniformity of rates, for instance, for trucks, but more concerned with the fact that the tariffs should be filed with the body which regulates them.

6010 Thinks every public carrier should carry everything th t is offered and that they should not be allowed to pick and choose.

6011 Suggests that in addition to their being a ceiling for rates there should also be a floor. i.e. that a carrier must not participate in traffic if he does so at a loss and by loss without meeting actual loss, i.e. below out-of-pocket expenses.

6013 Suggests a joint through bill of lading where goods are being handled from one province into another and being handled by two or three trucking companies or rail and truck if possible. Witness says that they have joint through bills of lading in the U.S.A. under the I.C.C. and that this applies to rail and truck movement.

6015 The League objects to statutory rates only so far as they are placed outside the jurisdiction of the R.T.C. Does not object therefore to M.F.R.A.

6020 and 6021 Witness refers to 20% general increase and the fact that this did not apply to rates under the Crow's Nest Pass Agreement Act. Suggests therefore that the Railways by that general increase were given the revenue they required and if the statutory rates had been subject to a general increase the increase would not have been as great; therefore the users of transportation other than traffic covered by the Crow's Nest Pass Agreement Act, bears the burden of the increase.

6031 Mr. Trawley, on behalf of the Province of Alberta, suggests that in 1897 when the Crow's Nest Pass Agreement was made it was an Agreement whereby the railway got something and then these rates were fixed and that it was not in fact "a concession to the railways".

6040 Mr. McLean on behalf of the Province of Manitoba suggests to the witness that the Prairie Division of the Canadian Industrial Traffic League has disapproved of the League's Brief and the witness admits that this is a fact.

6043 Mr. Trawley, on behalf of the Province of Alberta, files Exhibit 75 being a Chart and Table showing truck lines owned by the Canadian Pacific in Western Canada.

6045 Witness, Mr. Paul, says that the Canadian Industrial Traffic League takes the position that geographic disadvantages should be adjusted by the Government and that they should be a charge on the country as a whole and not on a particular group.

6084 and 6085 Suggests first step is to determine whether Crow's Nest rates are unduly low and second step what the reasonable rates would be for the carriage of grain and grain products. The difference between the existing level of the grain rates and what might be called the normal level should be borne by the National Treasury. The machinery for accomplishing this result that is suggested is the principle contained in the M.F.R.A. However, witness states "where any assistance is required due to geographical distances and so on, whichevery scheme Parliament in its wisdom would decide to do would be satisfactory; as to whether or not it is done by way of something similar to the M.F.R.A. or some other kind of subsidy, we are not concerned".

6087 Submission by Mr. Sinclair on behalf of the C.P.R. with reference to Crow's Nest Pass Grain rates, and historical origin "what really happened was that an agreement in 1897 which was confirmed by Statute was supplanted and overridden by a statutory provision in 1925, which superseded the agreement, but held the level of three cents below the rate that was in existence in 1897 on the movement of grain to Fort William and points east thereof. Now, in 1927, on a claim of discrimination from the ports of Vancouver, those same exceedingly low levels of rates for the movement of grain were applied to Pacific coast ports for export, and so therefore the Crow's Nest Pass basis of rates is now dependent on a Statute and not dependent upon any agreement that was entered into between the Canadian Pacific Railway Company and the Government of Canada".

Section 325, Sub-sections 5 and 6 of the Railway Act gives the western grain producer a special concession, taking away from the R.T.C. any jurisdiction over traffic movement at these special rates.

6089 On the question of reparations it is suggested to the witness that there would be nothing to prevent a competitor from gambling upon his belief that a certain rate is unreasonable and so underbidding another competitor in a distant market over a long period of time before he files his claim for adjustment. The witness points out that he thinks this reasoning is a bit far fetched.

6078 Witness thinks that reparations could work in favour of the railway also if there had been an error in publishing a rate.

6079 Canadian Industrial Traffic League would oppose railways going into the trucking business if it was for the purpose of stifling competition but if they want to go into the trucking business on the same basis as the truckers then they have no objection.

Witness points out that he has no objection to competitive rates provided out-of-pocket expenses are received by the carrier concerned. By out-of-pocket expenses he includes a proper allowance for all accounting charges, such as depreciation and maintenance, and other matters of that kind.

6081 Submission by Canadian Retail Federation --- (Brief read into Record).

6082 to 6084 Outlines historical sketch of Rising Rate in Canada.

6084 and
6085 Summarizes reasons why change is needed, as follows:

1. The present control of distribution no longer remains with two or three Western centres.

2. Both eastern and western organizations have established branches at strategic centres.

3. In the last forty-seven years there has been a significant increase in the density of western populations together with a development of many population centres served by adequate channels of trade and transportation. Mixed carloads built up under an unrestricted rule would benefit both trade and consumers by making possible full use of distributing centres. The nearer the mixed car load movement is pushed to centres of population areas, the better service will be and transportation costs will decrease to the consumer's benefit.

4. The railways have no apparent objections to a uniform "unrestricted" rule.

5. The present pool car arrangements for forwarding goods from east to west destroy, to a large degree, the argument that the adoption of an unrestricted rule would destroy the whole economic situation in the west.

6. The Mixing Rule in the freight classification applying west of the Great Lakes differs from that in eastern Canada and in fact elsewhere in North America. At one time a similar rule existed in the United States governing traffic west of the Mississippi. This rule was changed many years ago. At the time the change was made distributors in Western United States alleged that their business would be destroyed. Experience proved that these fears were unfounded. There would appear to be little doubt that this was because trade conditions in western United States had changed very much, as they have done in Canada.

7. The Classification Committee has, in recent years, received numerous applications for the inclusion of additional articles in the trade lists which is evidence that the present Mixing Rule is out of date and does not meet the requirements of shippers.

8. The appearance and rapid extension of highway transportation has, to a considerable degree, affected the distribution from large and small centres to smaller urban and rural districts. This fact alone invites some reconsideration of the value of the present restricted rule for mixed carloads.

9. A new form of competitive transportation for some classes of merchandise has arisen in the Inter-Coastal Service via the Panama Canal. This provides wide open mixture in direct opposition to the rule under discussion.

6088 Witness points out that with the increase in population, the spread of chain store distribution, of central distributing warehouses and direct dealing of manufacturers with local distributors and retailers the Western picture has altered completely and it would seem that the maintenance of the Mixing Rule can now hardly be claimed necessary for the protection of Western distributing interests.

6092 Submission by Gordon W. Jones, of Bancroft, Ontario, re Pulpwood Rates.

6093 Points out freight cost is an important factor.

Many of the farms in the Northern wooded areas of Ontario are sub-marginal, and the revenue from the sale of poplar on these farms provides some necessary revenue.

6084 Stresses the importance of U.S. market for sale of poplar, since this type of wood cannot be used by Canadian mills to any extent.

6096 Witness points out any increase granted to the Canadian carriers in domestic pulpwood rates will undoubtedly be reflected in the international rate structure which would mean a further increase in the joint through international rates.

6107 Submission by Ontario Mining Association.
Witness - Mr. Alexander Harris.

6109 Freight rates play an import role in the matter of costs. Unlike most manufacturing industries, the process of gold mining involves a fairly heavy inbound movement of machinery, materials and supplies but very little outbound traffic.

6112 Refers to Ontario Northland Railway and points out that this is a Provincially owned railway and not within the jurisdiction of the B.T.C.

6119 Ontario Mining Association feels that the time has long passed since the railways should have been giving attention to the extension of the Southern Ontario basis to other points in the Province. The expansion of industry and of agriculture has been so vast since the Schedule "A" basis was established in 1907 and even since its extension in 1922 that a widening of the scope of this scale appears to be now warranted.

6120 Ontario Mining Association urges that this Commission recommend rate revisions which will give their member mining companies in North and North Eastern Ontario the benefit of the preferential rate treatment presently being accorded Southern Ontario.

6123 Witness stresses the opinion that Schedule "A" rates should apply to the territory in which their mines are situated. This has been taken up with the B.T.C. but the application was refused on the ground of lack of jurisdiction because the Ontario Northland Railways is a Provincially owned railway.

6124 Witness is of the opinion that in the grain industry the per centage which freight rates bear to the over-all costs would probably be less than the cost of other things. It is not indicated, however, what this per centage might be.

Vol 32

6140 Statement of Premier J.R. Smallwood.

6144 Newfoundland has been placed in the Maritime region and for purposes of railway rate regulation is in that region. The Premier submits that for that reason the Province should get exactly what that region gets - no more and no less.

Refers to trend or tendency of people in the Maritime Provinces to gravitate to the centre of Canada. Newfoundland therefore is beginning to realize that transportation may make or break it.

6148 Statement by Mr. .J. Lewis, Counsel for the Province of Newfoundland. Refers to fact that no particular reference is made to the question of freight rates and that this is intentional and consistent with the policy of government which is based upon the principle that the application of freight rates to Newfoundland is a matter incidental to the interpretatio of the terms of union and a question for settlement between the central and provincial governments.

Submits that Newfoundland is entitled to freight rate privileges, no better and no worse than those obtaining in the Maritime region. If and when this principle is accepted by the governments concerned, then the formulation of the freight rates to be applied will be a matter for the B.T.C. which is charged with the responsibility of formulating such rates.

6149 States that the consummation of confederation will result in a complete change in the trading practices of Newfoundland. Heretofore, the principal supplier was the U.S.A. From now on, Canada shall be the chief supplier, and it is important therefore that adequate facilities be provided to service the province on the one hand and to act as a trade channel for the source of supply on the other.

6170 Submission by the Province of Newfoundland. Witness - Mr. George McNamara.

6177 Population of Newfoundland as of 1945 was 32,819.

6181 Area of Newfoundland is 42,000 square miles.

6182 Area of Labrador is about 112,000 square miles.

6183 Newfoundland ranks seventh among the Provinces in area - it is about one-third as large as Ontario and more than three times as large as the combined area of Prince Edward Island, Nova Scotia and New Brunswick.

6184 St. John's is 435 miles by boat from Sydney and 4,365 miles from Victoria. St. John's is about 1800 miles from Liverpool, England, while the air distance between Gander Airport and London, England is 2,360 miles.

6185 and 6186 The economy of Newfoundland springs from three great sources of natural wealth - the fisheries, the mines and the forests.

The export of fish and fish products is the greatest natural revenue of the Province.

The forests are located on the East, Centre and West Coasts of the Island and have proved a source of great development.

Within recent years valuable composite ore deposits have been discovered and eveloped in the area of Buchans which is situated practically in the centre of the Island.

New markets for fish and fish products have been opened up, particularly in the U.S.A. and returns from the industry have been substantially increased as a result.

Seal and whale fisheries are today, and have been for many years, very substantial contributors to the economy of the Island.

The value of the fishery exports in 1948 was $29,358,000.00.

6187 The forest industry and forestry products give employemnt to about 18% of all gainfully occupied males; and exports of forestry products account for about 40% of Newfoundland's total exports.

6188 On the coast of Labrador there is a very substantial stand of commercial timber available for exploitation and development.

6189 Agriculture is of relatively minor importance in the Island's economy. It ranks fourth after fisheries, forestry and mines.

About 1/3 of the Island's improved acreage, including pasture, is to be found on the West Coast. Manufacturing industries are mostly centered in and around St. John's and provide a portion of the needs of manufactured articles, but most of the raw materials have to be imported.

6190 The total volume of annual sales of secondary industries is some $14,650,000.00.

The U.S.A. has been the most important customer of Newfoundland products although Canada remains by far the chief source of supply.

6192 Witness stresses the strategic importance of the Island of Newfoundland to the continent.

6193 Reference to different installations established during the second world war.

6195 Gander is the largest airport in the world.

6196 No roads radiate from Gander by which contact can be made by land. The sole means of transportation to and from is provided by the narrow guage railway presently spanning the Island.

Recommends the construction of lines of communication to the seaboard to a point or points approachable at all seasons and under all weather conditions.

6197 The main channels of communication in Newfoundland in order of their importance are:- water transport, rail, highways and airways.

6198 The Island has a coastline of approximately 6,000 miles, around which are established more than 13,000 settlements large and small, in which the coastal population resides. Labrador has a coastline of 12,000 miles and has a population of 75,000 people. The coastal area is served particularly by the Coastal Steamship Service, which is operated by the railway as a branch of the Canadian National Railways, local coastwise vessels and small boats.

The second in order of importance is railway transportation. The railway crosses the Island from St. John's on the East Coast to Port aux Basques at the extreme South Western corner of the Island, and covers a distance of 547 miles. The total railway mileage is 705 miles of which 159 miles consist of branch lines. The railway system is a narrow guage - 3 ft. 6 inches in width (compared to 4 ft. 8 inches in other parts of Canada).

6201 and 6203-3 Refers to details of railway rolling stock.

6203 and 6204 Refers to details in connection with passengers and freight carried number of employees and payrolls as well as railway earnings and expenses for certain selected years.

6205 Traffic moving over C.N.R. through North Sydney via Port aux Basques is designated as all rail traffic. The result of this is that a very substantial increase in the volume of traffic to be handled by the railway is to anticipated. The total tonnage handled over this road was approximately 30,727,000 tons. Witness estimates this volume will increase by at least 100% during 1949 and therefore suggests that rolling stock and equipment will have to be increased to handle this increased volume

6209 Witness suggests that if any outlet other than North Sydney or any agency other than the Canadian National Railway is utilized to move this volume of traffic into Newfoundland, it can only be done at a rate consonant with the Terms of Union which provide that rates on freight moving into Newfoundland shall be the same as those obtaining in the Maritime Provinces.

Witness suggests that any departure from this principle resulting in a freight structure for Newfoundland traffic at a higher ratio than that obtaining in the Maritime Provinces is a violation of the spirit and the terms of the Act of Union.

6210 Refers to lack of road communication and suggests that feeder roads be constructed from strategic points along the coastline to the nearest railhead with a view to making short lines of contact with the coastal services.

6211 Suggests that the narrow guage system should be brought into conformity with the standard guage system as used in the rest of Canada as expeditiously as possible.

6212 and 6213 Table showing the position of Completed Road Mileage and Mileage not yet built from St. John's to Port aux Basques.

6214 Tables showing Motor Vehicle Registrations 1939-1948.

6215 No regularly constituted Airways Service operates intra-provincially within Newfoundland. Refers to fact that large areas of the Island are isolated during the winter season. Suggests that isolation can be overcome substantially by the inauguration of a domestic airways system.

Also suggests that "set-down" and "pick-up" privileges between Torney and Gander Airports should be made available to prospective operators.

6212 Population of the Island apart from the Avalon Peninsula and the industrial centres of Corner Brook and Grand Falls is located largely on the Coast. The number of people residing thereon is approximately 200,000. Many of the settlements in the various coves and inlets are inaccessible except by water.

6213 Refers to coastal services and indicates that the primary object of the service was to provide inter-settlement communication along the coastline and a direct line of communication between the various coastal ports and St. John's. The system provided amongst other things a mail service for which the Post Office provided subsidies for each ship or service.

6220 Coastal service originally performed by private contractors. This condition continued until 1920 when the Government of Newfoundland assumed the responsibility for the operation of the Newfoundland Railway. Since 1920 the service has been maintained exclusively by the Newfoundland Railway.

6221 Following the acquisition of the coastal ships by the Newfoundland Railway, the subsidies formerly paid to the contractors by the Government, pursuant to contract, were paid by the Department of Posts and Telegraphs to the Newfoundland Railway to operate the ships.

6223 In 1946 a new arrangement was made with the Post Office whereby steamers were paid on a mileage basis of 50¢ per mile as a subsidy for the mail service, and in 1947-48 the total amount received by the Railway on account of the coastal steamers operated by it for the carriage of mail amounted to only $65,305.86.

6223 Witness suggests that mail should be handled on a different basis - that 30¢ per cubic foot of the space allotted to Post Office business would give the vessels an aggregate earning of $250,000.000 per annum.

It has also been suggested that the handling of mail traffic across the Gulf of Saint Lawrence from Sydney to Port aux Basques on the present mileage basis rate of remuneration does not give the steamers sufficient returns to pay the stevedoring charges at either Sydney or Port aux Basques.

Refers to difficulties of coastal vessels in delivering mail where no wharves or docking facilities exist.

6230 Submits that subsidy being presently paid to the railway coastal steamers be revised upwards with a view to equalizing the service being performed with the amount to be paid and in this respect to relate such payment either to the amounts previously paid by the Newfoundland Government for similar services on the mainland.

6230 Refers to present heavy demands upon the coastal service and suggests that this can only be relieved by the construction of road communication which would provide an alternative channel of communication for the coastwise traffic to that presently provided by the coastal steamers.

6238 and 6241 Recommends construction of specific feeder roads.

6241 Advocates the establishment of one or more national harbours in Newfoundland. Suggests that such a harbour, in addition to assisting in the development of the internal economy of the Island, be an important link in international trade. In addition to its being a gateway for the importation and export of goods to and from Newfoundland it could also be made a free port for the concentration of shipping and for the distribution of goods over the main trade routes of the world.

6244 Refers to economic outlook for St. John's and suggests that because of the diversion of trade from sources of supply in the U.S.A. and Europe to Canadian suppliers, and because of the re-routing of imports through gateways more contiguous to the mainland than St. John's, this import business, with its consequent distributing trade, will be lost irrevocably to the capital.

No basic industries exist in St. John's. No natural resources capable of providing a basic economy are to be found within its immediate vicinity with one exception.

6245 The one ray of hope to be found is the establishment at St. John's of a great producing and processing centre for products of the sea. The cost of fish and fish products at St. John's, because of its close proximity to the fishing areas, should be lower than in any port on the North American continent. Refers to fact that nearby sources of supply available to producing centres on the mainland are rapidly becoming depleted with the result that producers are obliged to utilize more and more the Grand Bank areas for their requirements in this respect.

6246 Two requirements are essential to develop this industry. First, the capital sufficient to develop the industry and to provide an earning increment to the population commensurate with that lost through changed economic conditions. Second, the investment to be made must be protected against labour exploitation. If the industry when established is to be subject to uncontrolled demand of labour, then it has no hope to survive. In this respect necessary safeguards must be provided whereby a fair wage return is ensured.

6247 Refers to facilities at Corner Brook.

6248 Refers to facilities at Argentia.

6249 Refers to facilities at Bay D'Espoir.

6252 Recommends establishment of a free port and suggests Bay D'Espoir as a suitable location for such a port.

6210 Outlines recommendations in detail as follows:

"It is respectfully recommended that the Commission make the following recommendations in relation to the Province of Newfoundland:-

1. That road communication islandwise be developed with a view to the strengthening of the strategic advantages which Newfoundland offers to the mainland.

2. That steps be taken to construct a military road from Gander Airport to the nearest ice-free port on the coastline, and in this connection Bay D'Espoir is recommended as the point of contact.

3. That in view of the inadequacy of facilities at North Sydney and Port aux Basques to handle greatly increased tonnage, arrangements be made for alternative outlets for Canadian traffic. In this connection it is suggested that the Port of Halifax and/or St. John be made alternatives to North Sydney; and that Bay D'Espoir, St. John's and Corner Brook be made alternative ports to Port aux Basques.

4. That in the event of an alternative or alternatives to North Sydney being selected, it is urged that the all-rail route privilege as provided for in Section 32 of the Act of Union be made applicable to traffic moving through such alternative outlets.

5. That failing the establishment of adequate facilities at Louisburg and over the Sydney-Louisburg Railway for the handling of passengers, mail and freight, winter traffic through and from the mainland be diverted through Halifax and/or St. John. Alternatively, in the event of Louisburg being retained as a winter terminal alternative to North Sydney, then the additional transportation costs incidental to the user of Louisburg should be absorbed in the through rate and the all-rail rate at present in effect between North Sydney and Port aux Basques and vice versa be made to apply mutatis mutandis to Louisburg and Port aux Basques.

6. That consideration be given to the modernization of the railway system with a view to bringing it into conformity with the standard system on the mainland with which it is affiliated.

7. Alternatively, in the event of the standardization of the Newfoundland railway system with the mainland system being found impracticable, that immediate consideration be given to the improvement of the existing railway by the reduction of gradients and the elimination of curves.

8. That in view of the increased volume of traffic to be moved by the Canadian National Railway (Newfoundland) Services, additional equipment in the way of rolling stock including locomotives, freight and passenger cars be provided, adequate to the needs of the service.

9. That additional refrigeration facilities for the efficient handling of perishable goods, specifically fish, fruit and foodstuffs, be provided on the steamships operated by the railway system and also that additional refrigeration cars adequate to the needs of the service be provided for the railway.

10. That additional coastal steamers be provided by the railway in order to make adequate passenger accommodation available to the travelling public, thus removing the dangerous condition of overcrowding which presently exists in ships engaged in the service.

11. That investigation be instituted immediately into the feasibility of constructing Feeder Roads; such investigation to be directed towards ascertaining the most suitable points on the coastline to which and from which such feeder roads should lead to the railway system, with a view to providing:-

(a) a better means of communication for passengers, mail and freight to and from points on the coastline not touched by the railway and the coastal system,

(b) means of direct contact between selected points on the railway and selected ports served by the coastal system,

(c) a more adequate means of transportation between open harbour ports of call and selected ports of call where adequate harbour facilities exist; with a view to expediting inter-coastal traffic, facilitating the movement of coastal boats and thus avoiding expensive delays.

12. That air transportation intra-provincially be encouraged as a means of expediting the movement of passengers and mail. To this end it is recommended that a licensed operating company and/or companies be given set-down and pick-up rights in relation to airports at Torbay and Gander. And it is further suggested that the Department of Posts be encouraged to let contracts for the carriage of mail to such licensed company and/or companies to function efficiently.

13. That in view of the importance of the coastal service to the economy of the Province, it is recommended that adequate subsidies commensurate with the service performed be paid for that service. It is therefore respectfully suggested that subsidies be paid to the coastal service on the same basis as those presently being paid for similar service in the St. Lawrence River and the Gulf Ports.

14. That an investigation be instituted with a view to the improvement of the harbour facilities at St. John's, Corner Brook and Port aux Basques.

15. That steps be taken without delay to inquire into the feasibility of establishing at Bay d'Espoir on the South West Coast, a national harbour; such investigation to include the practicability of establishing a branch line of railway to connect the said harbour with the most convenient point of the main line of railway.

It is also recommended in this connection that the advantages of such a harbour to the general economic well-being of the Province be inquired into, particularly with reference to its suitability as an inlet for goods entering the province for distribution throughout the central and western areas as well as an all year-round outlet for exports from the central manufacturing and mining areas. Its suitability as a terminal for military road connection with Gander Airport should also be inquired into. It is further suggested that the advantages or otherwise of establishing it as a free port be investigated.

Vol 33

6281 Most of the secondary manufacturing firms are situated in and around St. John's, approximately50% to 70%.

6282 Witness advises that to his knowledge the question of construction of a road from Gander Airport to the nearest port of entry has not been taken up with the Department of Defence.

6287 Mr. Dysart, on behalf of the C.N.R., advises that there has been an increase of approximately 35 per cent in the railway traffic since Confederation, not 100 percent as suggested in the brief. The figure is for a five months period and corresponds to a similar five months period in 1948.

6292 Witness suggests that alternative ports to North Sydney would be Halifax and Saint John, because there are no C.N.R. facilities at Louisburg, although it is not frozen over in the wintertime.

6293 Witness also points out that the railway from Sydney to Louisburg is not part of the C.N.R. and it makes a difference in rates, as it does not provide facilities adequate for handling of freight and passengers.

6295 Province of Newfoundland does not think that increase in rates as a result of the use of the Sydney-Louisburg Railway should be passed on to the receiver or shipper in Newfoundland. They feel the rate should be the same as the rate through North Sydney and Port aux Basques.

6296 Mr. Lewis, on behalf of the Province of Newfoundland explains that it is of no concern to the Province whether the Dominion Government pays a subsidy to maintain the level of rates, the same as they are in the other Maritime Provinces, or whether the C.N.R. absorbs the difference. All that they are really interested in is to have all traffic and rates comparable to the rates under the Maritime Freight Rates Act, as the same applies to the other Maritime Provinces.

6297 and 6298 Statement by Premier Smallwood with reference to discussions which took place at the time of negotiating the Terms of Union, where he refers to statement made by Rt. Honourable C.D. Howe with reference to facilities at Port aux Basques, North Sydney and Louisburg.

6302-3 Reference is made to the agreements made by the railways with the shipping companies whereby the movement of freight by rail and water through the ports of Montreal and Halifax, to and from the ports of Corner Brook and St. John's, Newfoundland, is to be at rates equal to the all-rail rate via North Sydney and Port aux Basques, exclusive of wharfage at Corner Brook and St. John's, and heavy lift charges at all ports; while the all-rail rate includes heavy lift charges but no wharfage charges in connection with the rail movement.

6305 and 6306 Mr. Lewis, on behalf of the Province of Newfoundland, explains the position of the Government with reference to their interpretation of the Terms of Union as it applies to freight rates under the M.F.R.A.

6309 Mr. Dysart on behalf of the C.N.R. points out that the agreements made between the railways and shipping companies do not indicate how the freight charges are to be divided between the steamship companies and the railway.

6311 Witness advises that the Province is not suggesting that the building of feeder roads should be a Federal responsibility.

6312 Contends that the junction points the railway should establish suitable accommodation for the public.

6315 No suggestions as to the advisability of the railway operating motor trucks.

6317 Witness believes that the present railway when it is brought up to date will serve this country for some time to come.

6318 Truck operators do not have to show public necessity and convenience in order to get a vehicle license. There are no regulations as to rates charged but witness understands that there are going to be such regulations.

6319 Mr. Covert states that there has been a suggestion that trucking should be regulated by a similar body and that this

6319 would be a Federal body and that each Province should adopt uniform legislation. The witness makes no comment on this statement, however.

6329 Mr. Lewis, on behalf of the Province of Newfoundland, points out that the construction of feeder roads to intermediary points where ships can load and discharge more expeditiously and less expensively is desired. In making these suggestions, however, to this Commission the Province of Newfoundland is merely indicating the general scheme of what they would like to see in the way of transportation facilities.

6333 Premier Smallwood points out that it is his understanding that the Air Transport Board has agreed to give set-down and pick-up rights for local air lines at Torbay and Gander, and also that the Post Office Department intends to do what is suggested in the Province's brief, namely to subsidize airways within the province.

6345 Mr. Lewis, on behalf of the Province of Newfoundland, refers to Gander Airport and to its importance from a strategic point of view. The Chairman points out that if this road is for purely military purposes, representations should be made by the Province of Newfoundland to the Department of National Defence since it is not a clear transportation problem. Mr. Lewis indicates that such a road, however, would also be very useful from a civilian point of view.

Mr. Lewis points out that in Newfoundland today there is a road from Argentia to St. John's which was constructed by the American authorities following the occupation of the Argentia Base and that this road is considered by the Americans as a military road. They constructed it and maintained it and have running rights over it, but so far as the Newfoundland Government is concerned, it is a public road, although it is designed as a military road.

6353 Mr. Dysart, on behalf of the C.N.R., points out that the question of sufficiency of accommodation as provided by the railway comes under Section 31E of the Railway Act and that it is therefore something which is in the peculiar province of the B.T.C. The B.T.C. can compel a railway to substantially add to existing facilities, so that there is always available to any Province aggrieved by inadequate facilities to have resort to the B.T.C., and if it can substantiate the position that it takes, it can have the railway forced to supply.

6354 Section 183 of the Railway Act is one under which the B.T.C. is empowered to approve of location of stations.

Witness suggests that it is a physical impossibility for the facilities available to the C.N.R. to move the volume of traffic that has to be moved from the Canadian market into Newfoundland through the Sydney-Port aux Basques gateway. It follows, therefore, that alternatives will have to be provided by the C.N.R. and not by the Government of Newfoundland. Neither has the Government of Newfoundland to pay the differential which must arise by using this alternative gateway

6365 Witness states that the only movement of minerals hauled over the Newfoundland Railway consists of the copper-zinc-lead gravity concentrates from Buchans and all the other movements of minerals are moved mainly by water. The Railway only handles about 6% of this product.

6366 Mr. Dysart, on behalf of the C.N.R., advises that since April 1, 1949, the following equipment has been added to the inventory: 8 passenger coaches, 6 Mikado locomotives, and that there are presently on the mainland awaiting shipment to Newfoundland 50 flat cars.

6368 Witness Captain Martin Hilbert Walton, Marine Superintendent of the C.N.R.

6370 Refers to overcrowding on some of the coastal steamships but points out that this overcrowding is with reference to proper accommodation and not from the point of view of safety appliances.

6378 Number of coastal boats now is 9 as against 14, twenty years ago, but the present boats are larger.

6379 Refers to Port of St. John's and admits that facilities are not capable of handling large ships. The size of the harbour is sufficient but the wharfage is not sufficient.

6380 Witness suggests that feeder roads connecting some of the coastal communities where there is poor anchorage would speed up the coastal service, by permitting the coastal steamships to stop only at the better anchorage.

6381 Witness refers to difficulties in delivering mail from coastal steamships at many points due to lack of wharfage and necessity of lowering a boat, putting the mail in and rowing it to port, and then finding the Post Office, picking up the return mail and rowing back to the ship. The rate paid to date for this service by the Post Office is fifty cents a mile irrespective of the number of mail bags.

Witness - Mr. Hazen A. Russell, Director of Job Brothers Fisheries.

Witness advises that their company has a fleet of refrigeration carriers and that it was necessary for them to obtain their own refrigerated transportation since otherwise they had no means of getting their frozen fish products to market.

6390 Generally speaking, Job Brothers do not ship any of their production by railway from Newfoundland. They sometimes use the ferry across from Port aux Basques to North Sydney but not to any great extent because, prior to Confederation, the water haul plus the rail haul from North Sydney not only made too much handling but was too expensive. Therefore they tried to arrange to have their own boats call at Port aux Basques, take the fish direct to Montreal, or wherever it was necessary to land it.

6391 Job Brothers operate their own fleet and do not receive any subsidies or subventions of any kind.

6392 Job Brothers do not carry mails on their ships.

6394 Witness states that St. John's is suffering from lack of basic industries.

6395 Suggests St. John's has a natural location that lends itself to the building up of a frozen fish industry. The operation of deep sea trawlers and draggers from St. John's; the landing of this fish at St. John's and the freezing of this fish; and the exportation of this fish from St. John's to markets mostly in the U.S.

6398 Submission by Bowater's Pulp and Paper Mills Ltd. Witness - Mr. Gerald F. Murphy.

6400 Bowater is the largest integrated newsprint mill in the world, having produced in 1949, 500,000 cords of pulp; 45,000 tons of sulphite; and 295,000 tons of newsprint. Its annual payroll is now close to 14 million dollars and it employs some 7000 men and women who earn their living directly from Bowater's.

6402 Witness refers to station at Corner Brook as being too small for the volume of traffic which it has to serve within that area.

6403 and 6404 Witness refers to certain improvement s which should be made with regard to freight sheds, yard facilities, passenger train service, freight rates, railway branch lines.

6405 Witness stresses importance of water transportation and suggests that C.N.R. should make some permanent arrangements with the shipping companies operating out of Montreal, during the open season of navigation, to Corner Brook and St. John's, whereby water traffic would be brought direct to these ports at a rate comparative with the all-rail freight rate as provided under the Terms of Union. If such a rate would not permit water carriers a profitable operation. Then witness suggests Federal Government should compensate C.N.R. for its annual deficit in carrying out this operation.

6408,-9-10-11-12
Witness makes certain suggestions as to improvements in aids to navigation

6413 Submits consideration be given to making Port aux Basques a National Harbour, involving the erection of suitable extended facilities.

6417 Refers to necessity of improving hotel accommodation at North Sydney in view of long stop-over. Also suggests need for hotel accommodation at Port aux Basques in order to accomodate passengers who upon arrival find they have to await the arrival of coastal steamers.

6433 Witness thinks there is a possibility of water carriers ceasing to operate unless they receive proper subsidies.

Vol 34

6450 Submission by Eastern Provincial Airways Limited. Witness - Captain E. W. Blackwood.

6451 and 6452 Eastern Provincial Airways Limited is entirely a charter organization. Three important factors which show the importance and need of aircraft as a means of transportation in Newfoundland are:

1. The Coastal Boat Service - can only be operated for six months of the year to 75% of the coastal areas.

2. Roads - Most roads are either impossible or impracticable.

3. Railways - It would be impossible to construct railways in a large portion of the Province.

6453 Newfoundland experiences a wide variation in weather conditions and temperature. It is therefore advisable to avoid connecting places of more than 150 miles apart for airplane operations.

Recommends Island be zoned in such a way that more or less consistent weather and temperatures are obtained in each zone.

6434 Indicates possibility of importance of helicopter.

Advocates that internal air organization should connect the largest centres and work in conjunction with T.C.A. Should have feeder lines and shuttle charter service connecting the coastal areas with the east to west local regular service.

Sees need of financial assistance by both Federal and Provincial Governments to have successful air operations.

6456 to 6458 Suggests detailed plans for re-zoning.

6459 Details re: proposed regular route service.

6460 Details re: proposed feeder line and air mail service.

6478 and 6479 Specific recommendations:

A. "The recommendations which we would make are that (1) mail subsidies be given for the carriage of mails by air to all portions of the Province of Newfoundland and Labrador that are deprived of any means of transportation due to climatic conditions, and this subsidy to be such that it will enable the aeroplanes to carry and provide public transportation as well as the carriage of mail;

(2) to subsidize an east to west regular route service using what facilities are now available and to look into the possibility or possibilities of building landing strips at Bonavista, Grand Falls, Corner Brook, Grand Falls and Burgeo, so that the east to west services could be extended to include the above-mentioned places;

(3) to subsidize an air carrier to cover the overhead cost of a helicopter to be used for special emergency cases that cannot be undertaken by the conventional type of aircraft;

(4) rights to be granted Newfoundland operating companies to land and pick up passengers at the American bases of Argentia and Stephenville.

6483 Submission by Newfoundland Board of Trade.
Witness - Mr. L.M.H. Ayre.

6484 Refers to differences in system of doing business in Newfoundland from Canada as a whole and states "any attempt to apply unaltered a mainland system of transportation to this island would seriously disrupt long-established balances with serious consequences to our industries and people."

Sources of supply for Newfoundland are located largely in Ontario and Quebec and therefore the problem of maintaining adequate supplies of all materials essential to the economy of Newfoundland is of great importance.

6485 Refers to imperative need for C.N.R. to provide adequate facilities to move merchandise to Newfoundland with the quickest possible dispatch.

6486 Suggests present facilities at North Sydney and Port aux Basques are inadequate to handle the tonnage expected to be handled through those ports.

6487 Refers to concentration of local industries in St. John's and surrounding area and suggests it would be cheaper to move traffic by water from Montreal, Halifax and Sydney to St. John's for distribution.

6488 Suggests railways should provide two vessels to carry railway cars. This would provide speedier transportation less

handling and consequently less breakage and a decided saving in operating costs for the railway.

6490 Advocates development of a national harbour at the Port of St. John's.

6492 Wants present arrangement by C.N.R. of making "drop" shipments made permanent.

Wants special export or furtherance rate on carload shipments of flour continued for an indefinite period.

6493 Recommends requirements of coastal service should be carefully studied.

6494 Stresses importance of cheap transportation in order to enable Newfoundland farmers to compete successfully with mainland producers.

6496 to 6500 Appendix dealing with transportation of Newfoundland salt codfish from points in Newfoundland to foreign markets.

The markets in the western hemisphere to which Newfoundland fish is sold may be divided into two sections, i.e. those markets served by direct vessels from Newfoundland, and markets to which shipments have to be made via Halifax and/or New York. These are listed under (a) and (b) below:

(a) By direct vessels:
Jamaica; Puerto Rico; Cuba; Barbados; Guadeloupe; Dominica; Granada; St. Lucia; St.Vincent; Martinique; Trinidad; British Guina.

(b) Transshipments via Halifax and/or New York; Puerto Rico; Cuba; Brazil; Haiti, Dominican Republic; Dutch Guiana; Curacao and Aruba; Central and South America; and markets listed under (a) when direct vessel not available.

It will be noted that Puerto Rico and Cuba are included under both (a) and (b) above, the reasons being that shipments are moved by both methods to these markets.

6498 Shipments to market under (a) are taken care of by locally owned small motor vessels, with a capacity of between 700 and 900 casks. These vessels load their cargoes at various ports around the coast, and, with the exception of fish loaded at wh is considered to be the vessel's inward discharge port, shipp are required to pay an additional 50 cents per cask over and above the regular freight rate. All sales being on an f.a.s. basis, the regular freight charge is for account of buyers, bu this additional 50 cents per cask is borne by the individual shippers, and is intended to cover the cost of having the vessel collect the fish at the various export points.

In practically all instances, the regular freight rate by these vessels is about on a part with the regular freight rate to the same markets from Halifax.

Shipments to markets under category (b) are obliged to pay a freight rate which is based on the regular rate from Halifax, plus the cost of movement from ports in Newfoundland to Halifax. Because, as already mentioned, all our sales are on an f.a.s. basis, the burden of this extra freight cost does not today fall directly on the Newfoundland shippers, but has to be borne by the buyer. In effect, the result is that the Newfoundland shipper is at such a disadvantage as compared wi his counterpart on the mainland that, either he has to absorb goodly part of the freight differential, or else, abandon the particular markets to the mainland competitors.

6499 and
6500 Recommendations:

1. "It is the plea of this brief, therefore, that arrangements should be made whereby Newfoundland salt fish moving to markets under (b) should receive a freight concession on an equal basis to that granted movements of salt fish from points on the mainland to export points;

2. the additional charge of 50¢ a cask which many shippers are at present obliged to pay for the privilege of having direct vessels load at their port should be, at least in part, absorbed by Canadian National Railways, in accordance with the policy of providing special "depressed" rates to cover similar situations in other provinces, and because there are no facilities for the movement of fish by rail;

3. a very serious situation would arise in Newfoundland in the event of the direct vessels at present serving markets under (a) being withdrawn, or the rates increased;

4. this problem of the transportation of salt fish is of such importance to Newfoundland, and because Newfoundland is the major producer, to the whole salt fish in industry of Canada, that the complexities of the problem are worthy of deep consideration. Therefore, it is requested that the Transportation Commission arrange to have opened a special inquiry for this purpose.

6501 Further witness - in support of Board of Trade brief. Mr. Edgar Miller.

6512 Witness refers to two ships to carry railway cars as suggested in their brief and points out that ships carrying railway cars as suggested by them would automatically remove the necessity to have to break bulk at Sydney or Montreal, load it aboard ship and discharge it from ship into cars. This could be done even if one of the railways were standard guage and the other narrow guage.

6524-A Witness suggests conditions in Newfoundland are so different that they are entitled to special treatment and one instance in which this special treatment should be given is that the C.N.R. should continue the arrangements which existed prior to Confederation when there was practically unrestricted mixing and freight was moved at a rate comparable with the present 5th class rate. The present arrangement is that the goods are carried at the rate for the goods carrying the highest rate in the car. Witness wants the previous practise reconsidered notwithstanding that the other Maritime Provinces might be apt to allege discrimination.

6536 Witness says that Newfoundland people feel that the railway and the coastal steamers are such an important part of the Island's economy that the question of operating those services and the cost of operating those services should not be taken into account at all.

6539 Mr. Dysart on behalf of the C.N.R. points out that the Terms of Union require the application to the transportation of freight by the railway of the provisions of the Maritime Freight Rates Act, but suggests that there is no reference to a similar principle to be applied to coastal steamers.

6544 Witness - Mr. Lewis Brookes. Supporting the appendix dealing with the transportation of Newfoundland salt codfish.

6549 and 6551 — Witness suggests that presumably any concessions applying on movements by rail would also apply on movement by the coastal boats operated by the railway.

6562 — Submission by Associated Newfoundland Industries Limited.

6570 — Says secondary manufacturing industries in Newfoundland employ some 4000 workers directly, many other indirectly, and it is estimated that some 50,000 people benefit from this group.

6570 and 6571 — Lists industries represented by Association.

6572 — Submits that Section 38 of the Terms of Union must be construed as meaning not that Newfoundland would have rates comparable to the best prevailing in the Maritime Provinces but that she would be placed in a comparable position with that of the Maritime Provinces regardless of rates.

6573 — "The concern of local industry is not the method by which the materials arrive but rather the prohibitive cost of transporting same to Newfoundland, both by rail and steamship, which calls for immediate relief if irreparable consequences are to be avoided."

6574 — Suggests that special freight rates be granted upon all raw materials, plant and equipment coming into Newfoundland.

6578 — Submits that Newfoundland operation of C.N.R. should have a higher status than that of a division of the Atlantic region.

6585 to 6587 — Recommends:

"1. Secondary industry must be fostered and maintained if calamitous repercussions to the economy of Newfoundland are to be avoided.

2. St. John's must be maintained as the centre of industry, shipping and fishing operations. Both as a matter of national defence and otherwise it is imperative that St. John's should be created a national harbour with all possible speed.

3. Special rates on raw materials moving from the mainland for processing in Newfoundland, and upon their freighting to points within Newfoundland and elsewhere of goods therefrom.

4. Improvements in existing railway and port facilities.

5. Readjustment of local rates for railway and coastal services by a permanent advisory committee.

6. Newfoundland operations to become independent of the Atlantic Region and come under the direct supervision of Montreal.

7. That a new rate structure should be made immediately applicable to Newfoundland designed to ensure not merely that through rates to Newfoundland and local rates will be the same as those applying throughout the Maritimes but additional allowances will be made to offset the disadvantages arising out of our insular position and as the most easterly province of Canada.

8. That the regulation of freight rates should include carriage of goods by sea as well as rail traffic.

9. In keeping with the spirit of the report of the Duncan Commission and the intention of the Fathers of Confederation as to the proper place the national transportation system should occupy in the national economy for the benefit of the people of Canada, say we, on this very vital question, quote Sir John A. Macdonald, who said in part at Halifax in 1864: 'I don't hesitate to say that with respect to the Intercolonial Railway, it is understood by the people of Canada that it can only be built as a means of political union for the colonies. It cannot be denied that the railway, as a commercial enterprise, would be of comparatively little commercial advantage to the people of Canada.'"

6593 Witness suggests that equality of opportunity with other industrial regions in Canada can and should be brought about by adjustment in the freight rate structure.

6595 Witness says that situation in Newfoundland is that industry is in a very critical condition - several industries have closed.

6598 Refers to effect of Confederation on secondarly industries - "the position is that when the protective wall around industry was razed to the ground, it meant that all these Canadian goods just poured into this country at very low prices."

6599 Suggests that carriage of goods by sea be regulated and be brought under the jurisdiction of the B.T.C.

6609 "We think definitely from every position, our constitutional rights and everything else, that we deserve special treatment, and we think we should get it, no matter whose nose is put out."

6610 Premier Smallwood explains Province's position with regard to operation of transportation systems on a commercial basis:

"If to give Newfoundland as good as the maritime region or the select area gets, means having the Canadian National operate at a profit or at a loss is quite immaterial to us, so long as we get what the maritime region gets, which is the assurance given us. Whether that may involve the Canadian National in traffic losses, we are not concerned. In that sense, yes, the C.N.R. would be operated as a political instrument, as an instrument whereby or through which the Canadian Government's policy towards Newfoundland would be carried out."

6623 Witness - Mr. Frank Simpson, Manager of the Newfoundland district, Canadian National Railways.

6624 Refers to present contract re carrying mail, of 50¢ per mile irrespective of number of bags of mail, and points out the disadvantages of this contract.

6629 Refers to suggestion that a branch line of the railway be constructed from Bay d'Espoir to a point on the main line.

6630 Suggests that there would be approximately 80 or 90 miles of line to construct. Estimates that narrow guage railway for this distance would cost about $100,000.00 a mile.

Vol 35

OTTAWA HEARINGS

6633 Submission of Trans-Canada Highway Alberta Association (Yellowhead Route).

Counsel and Witness - Mr. S. Bruce Smith, K.C.

6636 Anticipates construction of proposed Trans-Canada Highway to commence in spring of 1950 and that legislation providing for the construction of the project will be presented at the present Session of Parliament. Understands no financial agreement has been reached between Provinces and Dominion although the latter is expected to provide a substantial part of the cost of the undertaking. Apparently the policy of the Federal Government is that the route to be followed will be selected by agreement between the Provinces.

Brief throughout stresses importance of having an independent body or commission set up for the purpose of deciding on matters of importance with regard to location, construction and route.

6637 Brief suggests that complete work ought to be uniform in its character throughout the nation, built on a standard consistent across Canada.

6638 Policies of national defence appear to require that plans for a Trans-Canada Highway be taken into consideration.

6658 to
6664 Lists advantages of the Yellowhead Route.

6661 and
6662 The Chairman points out to Mr. Smith that the policy of the Government in regard to a Trans-Canada Highway seems to be adopted and the implementation of that policy now seems to be under way and that for this reason perhaps it is too late now for this Commission to do anything with regard to this submission.

6691 Witness believes that users of a highway should fairly contribute to the construction according to the standard amount of use they get over the highway.

6692 Submission of the Province of Prince Edward Island continued from Regional Hearings.

Witness - Col. Charles C. Thompson.

6696 and
6697 Reference is made to a letter from Mr. Vaughan, President of the C.N.R. to Mr. Rogers with regard to certain proposals put forward by Mr. Rogers regarding civilian passengers be bumped on the car ferry, and the other proposal regarding the interchangeability of ticket holders enabling them to travel on train or bus. Mr. Vaughan indicates that the C.N.R. is unable to accept either of these proposals.

6737 [illegible] increase in potato prices in Canadian markets following the 21% increase in freight rates. A letter written by Mr. Lorne H. MacFarlane to the Royal Commission on Transportation, dated September 27th, 1949, indicates that the prices did rise and goes on to say that the reasons are that it so happened that the increase in freight rates coincided with a shortage of American dollars to buy American imports of potatoes and fresh fruits and created an unprecedented demand for potatoes from the Maritimes and they also had a shortage of potatoes at the same time in Ontario and Quebec.

6738 Witness says that in his opinion every time there is an increase in freight rates it has a tendency to make farmers who are near the consuming centres plant potatoes, where they are within reasonable or particularly trucking distances and it means that as far as they are concerned in P.E.I. that the handicaps under which they carry on that they have about reached the saturation point.

6741 Witness says that they need more refrigerated cars on P.E.I. and that if the facilities as provided by the present car ferry are not ample that they should get increased facilities to move their potato crop.

6743 Witness refers to the fact that a few years ago they enjoyed competitive water rates to such points as Quebec City. These rates were pretty close to prevailing water rates and considerably lower than the existing rail rates but the witness points out for the last few years they have not enjoyed that privilege.

6747 The reason for this low competitive rate disappearing was because the water competition disappeared.

Witness says that it appears to him that every increase in freight rates has a tendency to increase production near the consuming centres and that of necessity curtails their acreage and by the same token lessens the long rate haul that the railway gets in moving their stock to those consuming markets.

6748 Witness says that a very small percentage of their potato production leaves P.E.I. by truck, and the small percentage which does go by truck is usually destined to points in Nova Scotia.

6749 Wherever possible shippers in P.E.I. use boats because of the low rates available. He goes on to point out, however, that most of the buyers prefer rail shipment.

6750 Witness - Mr. B. Graham Rogers.

6754 Mr. O'Donnell, on behalf of the C.P.R. refers to the Sirois Report, Volume 2, Page 264, regarding P.E.I. claims and the remarks of the Commissioners with regard thereto.

The Girois Report refers to the subsidy commenced in 1901 in the amount of $30,000.00 per year. "Such allowance to be paid and accepted in full settlement of all claims of the said Province against the Dominion of Canada on account of alleged nonfulfilment of the terms of union between the Dominion and the said Province as respects the maintenance of efficient steam communication between the Island and the mainland."

An extract from the Girois Report goes on to state "Upon consideration of the whole matter we find that the Dominion has not failed, and is not failing, to discharge its obligations under the terms of union, and that there is no basis upon for a claim by the Province on t is ground. A reasonable ferry service has been provided and reasonable improvements have been instituted from time to time."

Vol 36

6844 It is explained to the witness, Mr. Rogers, that the average rate per revenue ton mile in the Atlantic region is allowed to the car ferry as being the charge for the use of the ferry.

6853 Mr. Campbell, on behalf of P.E.I., suggests that no charge should be made for telegraph service for the nine or ten miles between P.E.I. and the mainland. If anything is charged for the use of the cables over this distance the charge should be paid by the Dominion Government, in Mr. Campbell's opinion.

6856 Mr. Rogers states that P.E.I. has made a fairly exhaustive study of co-ordination of transportation agencies on the Island, and that they have come to the conclusion that co-ordination of rail, air and bus services would not only save money for the various services involved but would also serve their people in a manner which would be a tremendous improvement over the services they now get on surface transportation. Suggests that present mixed freight and passenger trains are very slow and that if the passenger services were cut out and the railway made an arrangement with the buses to handle passenger traffic that there would be a general improvement.

6858 Witness says that P.E.I, is not in favour of Dominion control of buses and trucks.

Negotiations have taken place between the Province and the C.N.R. with regard to possible co-ordination of transportation agencies but to date no effective arrangement has been consummated.

6859 Witness suggests that in regard to the control of co-ordinated services it is necessary to keep in mind that there is a Motor Carrier Board in P.E.I. which controls surface transportation and any scheme of co-ordination would have to conform with their rules and regulations.

6863 With regard to the elimination of the passenger service on mixed trains, the witness advises he is advocating the complete elimination of the passenger service and that if his suggestion was adopted passengers would not have the option of using a bus but they would be obliged to use a bus.

6865 Witness again refers to Motor Carrier Board of P.E.I. and says that in any scheme of co-ordination of transportation media they would have to come under their Motor Carrier Board.

6866 In regard to the question of control of the actual operation P.E.I. suggests that either the railways buy the buses or the railways enter into an agreement with those buses to haul the traffic for them.

6868 Witness says that the Province has not expressed any objection to the railways going into business with buses and trucks.

6869 With regard to unified control of transportation agencies, witness is not prepared to suggest that there should be a merging of Federal and Provincial jurisdiction in setting up unified control.

6881 Submission of Transport Commission of the Maritime Board of Trade, continued.

6883 Mr. Sinclair, for the C.P.R., says that Mr. Matheson looks on Intercolonial Railway as being in a different position from other lines of railway. He says it was Government works built by Government funds and that particular and peculiar circumstances of the route should justify the C.P.R. having similar rights over all traffic over the Intercolonial or any part of it as the C.N.R.

6884 Mr. Matheson declines to give an opinion as to whether he thinks the C.P.R. should have running rights over the Intercolonial or not.

Mr. Matheson refers to a Judgment of the Supreme Court which said as far as the Maritime Freight Rates Act was concerned it was compulsory with the C.N.R. but voluntary with the C.P.R. and as a consequence they could not order the C.P.R. to route their traffic via St. John.

6885 Mr. Matheson says that with regard to railways having freedom in rate making below prescribed levels management should have a certain prerogative but he also feels there should be supervisory power bestowed upon the B.T.C.

6901 Witness refers to 46 C.R.C. at page 76, Chisholm Saw Mills and Edmonton Box and Shook Company vs. C.P.R. and C.N.R. at page 80 - "It is not the Board's function, nor has it been empowered, to attempt to overcome geographical advantages or disadvantages of location by directions as to freight rate adjustments."

6902 Refers to Judgment in 21½ Case and the cases cited by the B.T.C. under the heading of "Rates to assist and develop industry".

Reference is also made to part of the Judgment of the Board where it is stated "very wide powers, it is true, are given under the Railway Act, but the Railway Act is not to be construed as if it were a blank cheque to be filled in as members of the Board see fit. It is not the Board's function, as delegated by Parliament, to make rates to develop business, but to deal with the reasonableness of rates either on complaint or of its own motion."

6903 Witness thinks predicating freight rates on cost of service is impracticable. Also refers to question of value of service and suggests that in between value of service and cost of service is the realm of what the traffic will bear.

6905 Witness is opposed to cost of service as the basis of rate making, although he does believe it is a factor to be considered.

6910 Witness says that the transportation factor is one of the most important criteria in the location pattern of industry. Other factors include the question of location hear the raw materials, location near the markets or the proximity to markets and the proximity of materials, labour costs, power rate and a number of other factors.

6914 Witness admits that transportation factor is not an important element where commodity is of a high value and low bulk such as shoes.

With regard to a commodity such as lumber where you have your potential production in a particular place

and if that production is marginal in relation to somebody else then the transportation cost goes up. The witness suggests that the marginal producer then is out of the picture.

6930 Submission by Dominion Joint Legislative Committee, Railway Transportation Brotherhood.

Witness - Mr. A.J. Kelly.

6932 Committee desires to stress the fact of the lack of uniform regulations and control of transportation services and the necessity for same in any sound national transportation policy.

6933 They recognize the value of the various types of transport in their respective fields, but deplore the lack of regulations and control which would allocate each typeto the service for which it is most serviceable.

Transportation facilities constitute a public utility and it is submitted they should be subject to supervision control and regulation by appropriate Governmental authority to protect the public interest.

Where competitive transport agencies are involved the control and regulation should ensure to each the economic security necessary to meet the required service qualifications.

The present rather rigid control and regulations imposed upon railways while highway transport (in direct competition for the more preferable and profitable shipment of selected commodities) lacks uniform or comparable control, must be regarded as inequitable and destructive competition.

6934 Submits railways must be maintained, controlled and protected against unregulated transport agencies which now operate over parallel routes.

Submits that only by uniform regulations and control by a central authority of all transport agencies rendering services for hire can each form of transport be allocated to the sphere towhich it can best serve its purpose and be assured of economic stability which is necessary to guarantee efficient and responsible service --- with the cost being fairly divided among those who benefit by such service.

6935 Refers to Duff Commission Report.

Paragraph 34, Appendix II "Motor Vehicles Operating on Highways" page 101 of the Report.

6936 Refers to Sirois Report - Chapter 2, Section D, Book 2 - Recommendations - Page 208.

6937 and 6938 Suggests that throughout all studies and recommendations by former Commissions and Conferences runs the recognition of the need for uniform regulations and control.

Failure of both Dominion and Provincial Governments to heed the ples of citizens they both represent, for co-operative remedial action, has allowed this national problem to become a serious menace.

Submits the following principles for consideration:-

1. That early steps be taken to adjust any constitutional questions which may be involved in reaching a basis from which to formulate uniform regulations governing motor vehicles on the highways throughout Canada.

2. That early consideration be given to the desirability of constituting a board, committee or commission to carry on a continuous study of the ever-changing transportation problem with the primary object of conserving and protecting the human element involved; also to consider appropriate measures to safeguard, as far as may be practicable, the interests of all concerned.

3. That all buses and trucks operating within Canada be placed under the control, administration and supervision of a transport commission (with like powers of the Board of Transport Commissioners for Canada) requiring operation under conditions similar to those imposed upon the railways, especially with regard to the fixing of rates, tariff charges, accommodation and facilities for passengers and shippers, etc.

4. That immediate measures be taken for the elimination of destructive competition caused by duplicating highway services; the classified licensing of all commercial vehicles within prescribed areas; restrictions against the discontinuance of any licensed highway services without giving public notice and subject also to the approval of competent authority.

5. That all common carriers using the highways for revenue purposes be taxed on a basis commensurate with the use they make of the highways, having due regard to the costs of construction and maintenance, including interest on bonded indebtedness.

6. That owners be required to furnish guarantee of sufficient financial responsibility to ensure the payment of any claims for damages which may be legally assessed against them.

7. That no bus or truck be permitted to operate on the highway for revenue purposes where adequate transportation facilities already exist, or where the steam railways can and are willing to provide these facilities.

8. That in the interest of safety, operators of all motor vehicles be required to pass a qualifying physical examination, particularly regarding visual acuity, colour perception and hearing; also that restrictive measures be enacted to prevent excessive hours on duty of all operators of motor vehicles.

9. That commercial motor vehicles be restricted to a reasonable maximum tonnage, limited to the hauling of but one trailer and also restricted the standard width of construction to be fixed by competent authority.

10. That uniform legislation be enacted to ensure reasonable standards in regard to working conditions, including wages and hours of labour in highway motor vehicle operation; also safe and modern equipment for all such vehicles, together with adequate periodic inspection thereof.

6940 With regard to wage rates, the brief submits that Canadian railway wages are out of line with those of U.S. --- at the present time approximately 20 cents to 25 cents per hour below those in effect on U.S. railways and that it is the contention of the Railway Labour organizations that there should be a parity with regard to wages.

6942 Contends that maintenance of high and satisfactory standards of wages and working conditions is a prerequisite to efficient operation of the railways and that there is an obligation on the part of the regulatory agencies to establish such tariffs and earning potentialities as will enable the industry to meet its responsibilities to the employees.

6943 to 6946 Lists proposed amendments to Railway Act dealing with:

1. Section 179 - Partial abandonment compensation to employees for loss caused them.

2. Section 250 - Headway over Cars, Space above Rail, and Safe Standard of Clearance.

3. Section 267 - Signboards at Level Crossings.

6954 Witness sees no justification for highway transportation in long hauls identically paralleling the railroad.

On long hauls witness suggests railway best able to give a proper type of service. It is recognized that there are points and places where highway transportation gives the best service to the people and under these circumstances it is contended that there should be a regulating authority, considering all of the licences or the services or the applications that are received and that this regulating authority should have regard for what the truck could best serve and what the railway could best serve and that it should not permit them to run in unregulated competition.

The regulating body should give consideration first to the needs of the people, next to what facility could best meet those needs with economic security to themselves.

6955 Regulating authority would have to consider length of haul and what carrier could give the more economic service.

6960 Witness points out that when they talk about transportation for hire they advocate that all forms of transportation for hire should be regulated.

6970 Submits that the people of Canada should not condone or encourage or permit one section of the country to capitalize on unregulated transport for hire to the detriment of the railway and to the taxpayer of the country who makes up the deficit incurred by the railway.

6971 Says if you regulate one type of carrier you should regulate the other, possibly not identical regulations but regulations comparable and practicable of regulation.

6972 Points out that in the past labour organizations have requested various Provincial Governments to endeavour to set up their own control. They believe that when all Provinces have done this there should be a central

body somewhere for conciliation so that there would not be conflict between jurisdictions.

Advocates Federal Government and Provincial Governments should sit down and work out some plan.

Realizes that B.T.C. would have to broaden their field if they were to assume responsibility for co-ordination of all forms of transportation.

6977 Stresses the point that what they are worried about is the duplication of services where one is regulated and the other is not regulated.

6978 Wants to prevent wasteful duplication of services and duplication which leads to unfair competition.

6982 With regard to wages the witness points out that they want wages on a parity with those in the U.S. and that if necessary rates should be adjusted so that they should be enabled to achieve this parity.

Does not think there is any real justification for a difference in railway wage rates between Canada and the U.S.

6983 Contends that the employee of the Canadian railways should not bear the burden of deflated rates because the passengers of the railway and the users of railway services are not paying sufficient for the services rendered to enable the railway to pay the proper rate of wages.

6984 Does not advocate B.T.C. should enter into wage negotiations. Feels that such matters can be handled more effectively between employer and employee representations.

6985 Reference is made to the majority Judgment in the 20% case with reference to the necessity of railways proving the propriety and reasonableness of wage costs. Witness states "I don't know that there is anything we can say in the matter except that negotiations were carried on and a settlement was reached, and for the honourable gentleman as Chairman of the Board of Transport Commissioners to question whether it was fair or reasonable --- I don't know where that would stop, because the matter had already been disposed of apart entirely from any connection with that tribunal."

6998 Witness states that Railway Unions felt that Canadian Industrial Relations Act was legislation that they could safely accept and apply.

6999 Witness says that labour organizations do not regard Conciliation Board as an official Court. "That is not its purpose under the law, as we understand it. It is a means by which labour may apply for redress but labour in Canada has never given up its right to use its economic strength if necessary and has never been asked to do so, but we are asked to go through the procedure of Conciliation Officer and failing adjustment a Conciliation Board who will endeavour to reconcile the differences and labour generally has wholeheartedly subscribed to that and that is what we are asked to do and that is what the law contemplates and we yield in obedience to that law and if we fail we still have the right to strike."

If the Conciliation Board is not successful and the Minister and the Cabinet are not able to effect a settlement labour still has the right to strike.

Vol 37

7040 Witness stresses fact that if the railways are to provide adequate service that there should be no place for a highway carrier in direct competition with the railway.

7041 Witness contends that where the railways are and will provide adequate service in a community they should be given the right to perform that service because of their position in the national economy. He is further of the opinion that they should have this right without direct competition from trucks carrying parallel routes. There public necessity and convenience can be and is met by the railways they should be given preference because of the fact that in the broader field of transportation railways are essential and for that reason should be provided with a certain amount of protection against present unregulated competition.

Witness advocates that a central planning body would consider all the needs, all of the facilities offered by the railways to meet that need, and if there were needs that were not met by the railways then the planning body, whatever form it might take, would license other forms of transportation to meet the need as they saw it.

7043 With regard to the ownership of truck lines by rail lines, the witness feels that this should be left to an over-all planning commission and regulatory body and if the railways are operating trucks on highways that are necessary public necessity and convenience that they should be curtailed by this over-all licensing commission in the same way as any other trucking concern.

7044 Witness points out that they do not feel that any logical argument can be made against any industry which trucks its own product.

7061 Reference is made to the present trucking regulations in Ontario and Quebec and the witness says that their organization does not like these regulations because apparently in their licensing and in their regulations the provinces impose within their boundaries that have not given full and proper consideration to the fact that the railway is there as one of the transport agencies.

Witness feels that to regulate one form of transportation and not apply comparable regulations to another must breed unfair competition.

7062 Mr. Hume, on behalf of the Canadian Automotive Transportation Association explains the position of their Association before the Royal Commission.

7061 Witness, Mr. Kelly, is not prepared to agree that trucking matters which are intra-Provincial should properly be left with the Provincial Governments.

7062 Thinks it is only proper for the protection of people who use highway transport services that there be some central body and some uniform authority and uniform regulations applicable to it.

7149 Witness thinks that it is in the railways' interests to have the long haul on basic commodities to Sackville and the long haul on the finished product out.

7150 It is suggested to the witness by Mr. Evans, for the C.P.R., that whether it was to the advantage of the railways to carry the long haul would depend on whether the railways got compensatory rates or not.

7152 In dealing with a particular stove of 500 lbs. weight, it is pointed out that it is carried for 700 miles for 40¢ as part of one through rate and that the increase which took place of 2¢ between the low of 6 and the present arbitrary of 8 makes a difference of 10¢ on that stove.

7154 Witness contends that labour costs in Sackville are equally as high as labour costs in Ontario.

7165 Statement by the Chairman "Some companies might be rich while others might be very poor; but all were using the same railway and trying to find access to the same market; they would all have the right to the same freight. You could not charge the rich company more than you charge the poor company. The freight rate would have to apply to all. It should not be based on the shippers' ability to pay, but on the service rendered by the transport company for the transport of goods, whether the shipper be rich or poor."

Vol 38

7174 Witness - Mr. A. R. French

(Enamel and Heating Products Limited, Sackville, N.B.)

7177 Labour costs for a standard type stove have gone close to 100% during the last six or eight years - material costs have gone up between 50 and 60%.

7181 Oil burning heaters are sold mostly in Ontario and Quebec although there is some market for them right across the country.

Previously the witness's Company did not have any competition from the upper Canadian manufacturers because they did not manufacture these heaters although to-day they are manufacturing with the result that the Ontario and Quebec market is falling off as far as the New Brunswick firms are concerned. The result is that to-day the New Brunswick firms are selling a large part of their production of oil heaters in the Maritimes, B.C. and the Prairie Provinces.

7183 Wages in the stove manufacturing industry in the Maritimes are among the highest of the important industries in the Maritimes.

They have compared their wages year after year with those in force in other parts of Canada making the same type of product and wages in the Maritime industry are just as high as elsewhere.

7184 With regard to raw materials, costs are higher because of the difference on freight which the Maritimes have to pay on incoming raw materials.

7185 As regards the Maritime market, the Maritime manufacturers have an advantage over their competitors due to two things, one that the inbound product of the competitor does not enjoy the Maritime Freight Rate preference and two, that they have the advantage of being closer to the Maritime market.

With regard to foreign or export market (when that market is available) Maritime manufacturers have a very definite advantage over competitors situated in central Canada.

7188 Witness says that they do not want this difference between the Maritime manufacturers and central Canadian manufacturers to become so great that they have got to pull up stakes and move out of the Maritime Provinces.

7205 Approximately 90% of raw materials for use in stove manufacturing comes from central Canada. Of this raw material there is a large percentage of wastage, in the matter of pig iron - 40% wastage.

7206 Submission by Canadian Food Processors Association.

Witnesses - Mr. P.R. Robinson and Mr. W. R. Caldwell.

7208 In the food processing industry transportation is the largest single expense item and the cost of freight entering the delivered price of canned foods plays a most important part in the resale to the consuming public.

When transportation costs increase, the resultant higher consumer price discourages consumption and ultimately processor and carrier suffer alike.

7210 Refers to fact that canned foods allied lines have been accorded a fifth class carload rating in Canadian Freight Rate Classification. They feel that over a period of years the lower eighth class carload rating accorded fresh vegetables has discriminated unfairly against the food processing industry. The improvement in dry and cold storage warehousing facilities now makes it possible to bridge the off-season months following the growing season, and has resulted in competition from fresh vegetables that did not exist some years ago.

Average canned food carloadings are much heavier than fresh vegetable carloadings and the risk of deterioration, loss and damage is also much greater in the handling of fresh vegetables than it is in the movement of canned foods.

They submit that the rate to be assessed should have a closer relationship to the value of the article.

7212 They submit the freight on high priced articles is such a low factor that it is hardly to be considered as being compelling or influencing or affecting in any great way the merchandising of goods, whereas the situation on low priced commodities is just the reverse.

They contend that the value of the goods principle does not receive the consideration that it deserves in Canadian Freight Classification.

7213 Refers to Judgment of Commissioner McCaffey, of the I.C.C., in Western-Southern Class Rates 266, I.C.C. 534, wherein it is suggested that a thorough revision of the entire basis of rate making on class traffic should be undertaken.

7214 Food processors maintain that the classification should be revised in keeping with the many adjustments in prices that have taken place during and since the classification was instituted.

7216 They are strongly of the opinion that the Royal Commission should recommend the entire revision of the Canadian Freight Classification creating additional classes somewhat similar to practice employed by the Official Classification in the United States, and such revised classification give greater consideration to the factor of the value of goods and the liability assumed by the carriers in transportation.

7229 Counsel suggests that there are two positions, the value and the question of loss, both of which it is submitted should be fundamental in a rate structure.

7229 Counsel suggests that there are two positions, the value and the question of loss, both of which it is submitted should be fundamental in a rate structure.

7257 Mr. Covert suggests that the Submission by the Food Processors could be summarized as follows:-

"They state that there is an entire revision of the Canadian Freight Classifications that they urge, creating additional classes similar to those in the United States. That is their first point, as I understand it. The second is that such revision give greater consideration to (a) the fact of the value of goods and (b) the liability assumed by the carrier in transportation."

7260 Mr. O'Donnell on behalf of the C.N.R., refers to Section 322 of the Railway Act and points out that the B.T.C. have the power from time to time to place any goods in any set class or remove them from any one class to another class.

7276 Witness suggests that present classification system is an outmoded structure and that it should not be patched up but the entire basis of the rate making should be revised.

7287 Mr. Evans, on behalf of the C.P.R., suggests that food processors under cover of attempting to get their own classification revised are suggesting that a general revision is necessary and Mr. Evans further suggests that the Royal Commission could not reach such a conclusion by reference to only one commodity. He further suggests that the Food Processors have not exhausted the remedies that are open to them, namely by applying to the B.T.C.

7290 Submission of Transportation Commission of the Maritime Board of Trade - continued.

Witness - Mr. Rand H. Matheson.

7291 Mr. Matheson explains that it is not what the shipper pays necessarily that constitutes value of service. Value of service constitutes the maximum and what the traffic will bear is in between and at the bottom is the cost of service, or the minimum cost of service.

7294 Witness says that conditions since the M.F.R.A. was passed have altered and that the remedy which the Maritimes thought they were getting then is not now as entire as it was expected.

7298 Mr. Sinclair, on behalf of the C.P.R., tables certain mileage figures showing the distance from Montreal to St. John and Moncton via the C.P., the Intercolonial and the Transcontinental and suggests that the figures do not support the contention of the Transportation Commission of the Maritime Board of Trade when they refer to a 250 excess mileage.

7297 Witness suggests conditions have changed and that something additional is now required to take care of the special situation in the Maritimes. He goes on to say that "if the conditions were

anticipated such as the competitive conditions that resulted in upsetting the apple cart, such as the benefits accruing from the M.F.R.A. and competition with the horizontal freight rate increases that perhaps the Duncan Commission might have made provision to take care of such a condition".

7301 Witness says that they are not making any claim for special treatment in regard to rates based on excessive railway mileage since that has been more or less taken care of.

7312 Witness says that Maritime Provinces have three transportation advantages that are not operative in certain other sections of Canada - "One is that it is the rate reduced under the Maritime Freight Rates Act; and of course, being a rate reduced under the Maritime Freight Rates Act, it is not to be used as a criterion of reasonableness in relation to other rates, according to Section 7 of the Maritime Freight Rates Act. Number two, basically I would say these rates were influenced by water competition in their initial stages, and reflected, with some changes throughout the years. And number three, there is the question of the construction of the inter-territorial rate basis which reflects the lower interior rates within the Maritime Provinces and the groupings of the Maritime Provinces."

7314 Witness suggests that during the period 1930 to just prior to the second World War competitive rate reductions were implemented in the central Provinces and that these reductions had the tendency of offsetting the advantages which the people in the Maritimes considered inherent in the M.F.R.A.

7322 Mr. Sinclair, on behalf of the C.P.R., suggests that setting up the Intercolonial as a separate entity for rate making purposes is so that the Maritimes would be able to manipulate the rate structure. The witness says that this is not the case - - - "in so far as the C.P.R's. position is concerned, we feel that if there were some adjustments necessary to facilitate an industry getting into the market, there should be some recompense to the C.P.R. based on what otherwise would be the normal rate, so that they would be protected in somewhat the same manner as is being done now under the Maritime Freight Rates Act."

7328 Mr. Sinclair questions the witness with regard to the Crow's Nest Pass Rates; in particular with reference to whether the rates reflect the factors which the witness has recommended should be considered in rate making. No satisfactory answer is given to this question and considerable discussion ensued as to the propriety of questions dealing with the compensatory nature of the Crow's Nest Pass Grain Rates.

7335 Mr. Evans, on behalf of the C.P.R., suggests that all witnesses who come before the Commission might be asked for their views upon any aspect of the matters contained within the Commission's Terms of Reference with due regard being given to the weight that such an opinion would receive.

7339 Witness agrees that statutory rates must be maintained but not at the expense of the railway and not at the expense of other shippers in Canada but at the expense of the Dominion Government in connection with the national policy in relation to those rates.

Vol 39

7342 If Statutory rates on grain and grain products are not compensatory ~~then they should~~ then they should not be borne by the railways or the other shippers. Matheson's estimate was that in 1947, taking the Board's formula, that the statutory rates on grain fell short by some $33,000,000. These statutory rates on grain should be maintained if they are essential in the national interest.

Witness suggests the effect of competitive rates in Ontario has whittled away the benefits received under the M.F.R.A. If any industry in the Maritimes is prejudicially affected by rates in Ontario, the B.T.C. under the M.F.R.A. is required to cancel such rate, but the problem is to prove prejudice.

7343 Under Section 8 of the M.F.R.A., if prejudice is proved all that the B.T.C. can do is to cancel the rates complained about --- it cannot implement a corresponding reduction.

7352 Witness refers to potato case where the Supreme Court said that Section 8 of the M.F.R.A. is applicable to competitive rates on potatoes in Central Canada. The Maritimes had to prove prejudice and the Supreme Court accepted the findings of the B.T.C. that there was no prejudice on the ground that in as much as there was very little traffic moving under the truck competitive rates the prejudice was caused or was the result of the rates moving by the trucks, not by the railways because the railways while they put in the reduced rates were not getting the traffic.

Witness contends that if as a result of competitive reductions, whether by truck, water or rail, it renders it more difficult for Maritime industries to get into the Central Canadian markets or any other market in Canada then it should be taken under consideration by the railways to give the Maritimes an equalizing rate.

7387 Witness suggests that changed conditions since 1925 and 1927 have to a degree nullified the efficacy of the Maritime Freight Rates Act.

7402 The Chairman sums up Mr. Matheson's proposal that statutory preference should be extended beyond the railways as follows:

" so even if the railways did not put into effect a competitive rate or decided to abandon the attempt to compete with the trucks in this particular commodity in this particular area, that nevertheless, the railways in the Maritimes should have their rates reduced to permit competition for goods from the Maritimes by rail to meet the competition of goods by truck, in Central Canada."

7410 Dr. Innis suggests the proposal made by the Maritimes is not easy to reconcile with some of the arguments made by interests in Western Canada, such as Alberta. The Maritimes are arguing for the lowering of rates as a result of truck competition. In many cases in Western Canada they are arguing against the lowering of rates. Witness says that in his view, competitive rates where they contribute something over and above the out-of-pocket costs are to the benefit of all traffic throughout the country.

7411 Witness admits that the general purport of his proposal is that by the very fact that there has been a reduction elsewhere because of competition or for some other reason there must at the sametime be accorded a similar reduction in the Maritime provinces.

7423 Mr. O'Donnell, on behalf of the C.N.R., points out that in the Atlantic region in 1940 11% of the regional freight revenue was competitive traffic revenue whereas in the Central region the percentage of competitive revenue as compared to the regional freight revenue was 10.1% --- in the Western region it was 2.1% and on the C.N.R. system as a whole it was 7.5%.

7426 and 7427 Chairman again refers to the position taken by the witness as follows: "it seems to me if we take Mr. Mathewson's position as he has given it to me on several occasions it greatly simplifies the whole case; I do not say it makes it any easier, but it simplifies it. He says that, leaving prejudice aside for the time being, the railways grant a lower rate, and every time they reduce a rate on the commodity in which the Maritime Provinces are interested, namely, potatoes for the time being, a similar reduction should be made on the haul from the Maritime Provinces to the central Canadian market. Without having to show any prejudice. That is one part of the case. Therefore there is no use in going into a terrific mass of figures to show whether or not in any particular case or between any two particular points there is prejudice. Secondly, he says that the Act should be further extended in this way, that even if there is no railway reduction in the case at all, if the railways abandon the attempt to compete with the trucks in bringing potatoes to the central market, nevertheless there should be a lower freight rate on the railways granted in the Maritimes so as to compete with the trucking of that same commodity to the central market by the potato growers of

Quebec and Ontario.

Now these are the two things he wants, and he is going to submit to us a draft of his proposed amendment. Now, it seems to me if we confine the case to those two things, which in themselves are of radical importance, we will be proceeding, I think, more clearly. Take that second case, you see, the second point that I put there; it creates this new situation, that is to say, you may have potatoes carried in central Canada wholly by truck; the railways may decide that they cannot put in force a competitive rate which would meet the requirements of such a rate, that is to say, which would be no lower than was necessary to meet the competition, and at the same time would reimburse out-of-pocket expenses and provide a margin of profit, greater or less, but some contribution to the overhead expenses. Now, if the railways make up their minds that they cannot do that, and they are going to abandon the hauling of that commodity, so that the trucks take it all, then according to Mr. Matheson the Maritime Act should be amended so that the railways in the Maritimes should grant a rate which would compete with the truck rate in the central part of the country."

7429 Witness's proposal would remove the necessity of proving prejudice in order to obtain a lower rate in the Maritimes as a result of competition elsewhere. The removal of prejudice would also amount almost automatically to a subsidy or a further subsidy in any case where the competitive rate had been put in in the other provinces.

7441 Witness does not support the cost of service principle and thinks it is impracticable.

7448 Witness queries whether all railways in Canada have reached or are reaching their capacity or not --- doubts if this is the case on branch lines.

7450 Witness says "I cannot see this cost of service principle. I have studied it and I think it would be bad for the whole country and the railways and the persons and industries on the line".

7470 Submission by Woollings Forest Products.

Witness - Mr. E.V. Woollings.

This submission deals with joint through international rates particularly on pulpwood, from points in Northern Ontario to points in Pennsylvania.

Witness points out that increases allowed by the I.C.C. have been increases of the joint through international rate including that portion of the line in Canada although financial need from the point of view of railways in Canada has not been shown. Suggests that there should be some international group to which shippers could appeal in cases where increases in international rates have the effect of driving them out of certain markets.

7497 Thinks there should be a case for reparations if a rate is found to be unjust and unreasonable and providing the shipper could prove his hurt.

7503 Thinks reparations should be awarded by B.T.C. and not through the Courts.

7507 Mr. Evans, on behalf of the C.P.R. points out to witness that at the present time in Canada where an unjust discrimination is found to exist the B.T.C. as a rule gives the railway an option to take out the rate complained of or to reduce the other rate. He points out that if reparations were to be granted that this would take away the option of the railway. An example of this is as follows:- "Well let us take the case of rates where you had a rate of $1.00, and another rate given to another competitor of yours to a common market we will say was 90 cents, and you complained that that was discriminatory, and the Board came along and decided that it was discriminatory. Now, they would order the railway to remove the discrimination, in which case the railway would have an option of raising the 90 cent rate to $1.00 or of reducing your rate to 90 cents. Now, if they exercised their option to increase the lower rate, how could you get reparations?"

7510 Mr. Hume on behalf of the Canadian Automotive Transportation Association states that the for-hire commercial vehicles in relation to the total number of commercial vehicles in Canada is approximately 10% to 90%.

In this regard, Mr. Hume is correcting a statement he had made at Page 7078 of the Transcript of Evidence.

7511 Mr. Hume explains that he is not able to give a breakdown of what the 90% consists of.

7512 Mr. Hume gives certain figures for the Province of Ontario in the year 1947 as follows:-

Total number of commercial vehicles - 142,297 (including hearses, ambulances and municipal vehicles, etc.)
Total licensed carriers - 11,227, or 7.8% of the total.

A and B Class Carriers - (common carriers) 4,060

C and D Class Carriers - (contract carriers) 2,756.

For 1948 in Ontario the total number of commercial vehicles was 162,397, the total licensed carriers 12,062 or 7.4% of the total.

A and B Class Carriers (common carriers) 4,456

C and D Class Carriers (contract carriers) 2,886.

7514 Submission by Royal Agricultural Winter Fair

This submission is against the proposed increase in freight rates for exhibitors of purebred livestock.

Points out that the cancellation of the special tariff plus the 21% of increase has given an increase for the freight originating between Levis and Fort William of 101% and for the Eastern and Western exhibitor an increase of 142%. It is submitted that this is an unreasonable increase even in proportion to increased costs.

7515 Suggests that special exhibition rate has been in effect for so long that it has come to be regarded by agriculturalists as a prescribed rate and therefore it should be altered only by the B.T.C. and after a hearing by the Royal Commission on Transportation.

7518 Submission by Consolidated Truck Lines Limited.

The purpose of this submission is to set down briefly the measures taken by one transport concern to provide service for shippers and to charge rates which are reasonable both to the shipper and to the transport operator.

7519 Suggests it is fallacy to assume that the absence of Governmental regulation of the pattern set up by the Railway Act will lead or has led to a complete lack of regulation of the individual transport operator.

7520 Points out that this Company adheres to a classification for truckload and less than truckload rates based generally upon C.F.C. No. 19.

The experience in traffic matters of the rail and water carriers has proved invaluable when intelligently adapted to highway transport conditions.

This Company prints and publishes its tariff and makes them available to the shipping public purely voluntarily for the purpose of increasing the service provided to its shippers.

Submission points out that in some cases it has been found necessary to establish commodity rates from certain points to others where the volume of traffic moving between these points has justified it.

7522 "Regulation of public utilities in some degree is now universally recognized as a necessity and the Highway Transportation Industry, as common carriers should, as much as railroads, be regulated by the appropriate governmental authority. For this reason Consolidated Truck Lines Ltd. has always been in favour of the type of regulation which exists in the Railway Act and in some of the other provinces with respect to highway transport."

Concludes by pointing out that it is the desire

of this Company as an individual highway transport enterprise to build up a freight rate structure which would move efficiently the maximum volume of traffic over the highways at the lowest possible level of rates commensurate with a fair return to the operator on his investment in the enterprise.

Vol 40

7525 Submission by Canadian Federation of Agriculture

Witness Dr. E.C. Hope.

7527 Farming industry in Canada is the largest single industry in Canada. It ranks first in value of capital investment, first in numbers of gainfully employed workers and first in total value of production.

7528 By 1948 total capital investment of the farms of Canada had reached $7 billion.

More than a million workers are engaged in agriculture which is more than three times the number employed in the iron and steel industry.

Forest products and agriculture run a close race for first place in value of exports yet within recent years agriculture has contributed more to Canada's export trade than any other primary industry or similar manufacturing industry.

7531 Changes in transportation charges cause greater proportional changes in prices received by farmers than in prices paid by consumers for food products.

Because of natural climatic and soil conditions most of our farm products are produced at great distances from the consumers. For such products freight costs are a heavy charge between the consumer and the producer. The price of farm products for the most part are established at central markets. A farmer receives this price less the cost of transportation to these markets. When freight rates are increased the immediate effect is a reduction in the farmer's price by the amount of the increase. The increase in freight rates is not handed on to the consumer of farm products. The only way the farming industry could pass on the full increase in freight rates or a part of the increase would be to reduce production and allow scarcity to cause a rise in price to the consumer.

7532 As a consumer the farmer is also vitally affected by changes in freight rates. Prices for industrial products are usually set at the factory and transportation and service costs are added in arriving at retail prices. If the consumer will not absorb the increase, industry can rapidly reduce production until reduced supply forces the consumer to pay the increase. Thus the farmer is in the position of having immediately to assume the full cost of an increase in freight rates both as producer and consumer.

7533 Canadian Federation of Agriculture contends that before any substantial increases in railway rates are made there should be a very thorough

analysis of all phases of railway costs and efficiency.

7534 and 7535 — Suggests that results of C.N.-C.P. Act have been very disappointing, particularly in view of estimate of possible saving made by Sir Henry Thornton at time Act was passed when he estimated possible savings of $56 million a year.

7536 — Recommends appointment of a continuing tribunal to undertake research and investigation of possible ways of effecting co-operation under C.N.-C.P. Act.

Also recommends amendment to Railway Act to provide the B.T.C. when considering general freight rate revision must take into consideration the extent to which the railways have endeavoured to bring about economy by co-operation or in accordance with the recommendations made by such a tribunal as suggested.

7545 and 7546 — Recommends - 1.- Thorough enquiry into and study of the efficiencey of the railways and their employees. 2.- That Railway Act be amended to require the B.T.C. in the hearing of any application for a general increase in freight rates make an examination of the position of the railways with respect to efficiency of operation.

7546 — Refers to fact that long distances of certain producing areas from their markets is the main geographical disadvantage of certain agricultural producers.

7547 — Since wheat production and export trade in wheat is the most important single economic activity in Canada and since the wheat economy of the Prairies is the key to the whole agricultural industry in Canada, C.F.A. insists that in the national interest grain freight rates continue to be statutory rates and accordingly under the direct control of Parliament.

7548 — Recommend that feed freight assistance policy be incorporated into freight rate structure as a permanent feature of the national agricultural program, this to be brought about by Parliamentary statute similar to the M.F.R.A.

7549 — Refers to capital structure of C.N.R. and suggests that because of over optimism and faulty judgment in the past the railway has been saddled with a debt far beyond its capacity to pay.

7553 — Suggests that Capital Revision Act of 1937 was not a realistic approach to the C.N.R. problem since it left intact the outstanding long term debt owing to the public.

7554 — Recommends that the amount of the "Loans for repatriation of U.K. securities" and "Loans for debt redemption" of some $670 million be entered in the Proprietor's Equity (Government Equity) of the liabilities as additional securities trust stock (equivalent to common stock) and the Government cancel these outstanding interest bearing securities.

7555 This cancellation of $670 million of Government held debt and the increase of the securities trust by a similar amount (equivalent to common stock) reduces the annual fixed interest charge to $22.2 million (3.3% of $674 million). Believes that with efficient operation the C.N.R. should be able to meet this obligation.

7556 Any savings resulting from more extensive co-operation between the two railways should enable the railway to finance any new development which may be necessary.

Any further borrowings of the railway from the Government for operating or equipment capital should be repaid from earnings.

7559 Recommends that Railway Act be amended to require B.T.C. in the hearing of any application for a general increase in rates to take into account the full net earnings of the railways and all their subsidiaries in computing the need for further revenues.

7560 Recommends that Railway Act be amended to provide in the case of any special rate that has been in existence and in use by the railways that before such special rate shall be cancelled or suspended:

1. A request for permission to cancel or suspend such rate must be filed with the B.T.C.

2. Reasons for such cancellation or suspension must be filed with the B.T.C.

3. A public hearing on the application has been granted.

7605 With regard to continuing tribunal for C.N.-C.P. Act, witness says they are recommending something different than the B.T.C. That is, it should be a separate body whose job would be mostly research to look into all propositions where economies may take place and then put it up to the railways that these co-operative measures should be undertaken.

7615 Witness is not aware of instances where members of the C.F.A. have prevented economies taking place as co-operative measures.

7619 Witness considers it might be practicable to save as much as $30 million by a proper system of co-operation under C.N.-C.P. Act.

7620 Witness suggests that procedure of working through the continuing tribunal with respect to C.N.-C.P. Act and requiring the B.T.C. to satisfy themselves that co-operative measures which should be undertaken have been undertaken would result in an attempt to enforce co-operation between the railways.

7622 Suggests that with respect to railway wages the increase in real wages should bear some relation to increase in productivity.

7623 Suggests that through new mechanical equipment and perhaps a greater investment in capital structures per man the productivity of railway worker could increase and in such case a higher wage is warranted.

7630 With regard to the price of grain, witness thinks that Parliament could change the existing freight rate if it is a serious enough thing.

With regard to how Parliament could effect such a change, the witness suggests that the Railway Committee of the House of Commons could make an investigation and that the railways and different interested parties should have a hearing before the Railway Committee, and that this Committee could then recommend to Parliament what should be done.

7632 Witness suggests that some competitive rates are not compensatory. Does not think that all rates should be compensatory.

Does not think that it necessarily follows that if grain rates are not compensatory thatthe railways should be subsidized.

7633 Suggests that even if grain rates were not compensatory the railways should haul the grain and keep the needed revenue from other traffic such as they do in Eastern Canada where railways are competing with water and truck transportation.

7634 Witness says farmers of Western Canada have more faith and feel more secure in the grain industry if Parliament controls the rates directly on wheat and wheat products rather than by any other method.

With regard to suggestion that there might be a subsidy written in to the statutory rate on grain the witness agrees that if you could get that kind of legislation whereby the present freight rate on grain would be maintained by Statute and as long as the farmers were quite convinced that that would not be disturbed, that such a proposal would appear to be satisfactory.

7636 and 7637 Witness again insists that farmers in Western Canada would have to be satisfied that a statutory rate with a subsidy feature would in fact ensure stability in the freight rate structure on grain which they have had for so long and which they are afraid of having disturbed.

7638 With regard to the proposal that the feed grain assistance policy be made statutory the witness points out that what they had in mind was that there would not be a statutory fixed rate but that rates could fluctuate from time to time according to the general freight rate structure.

7640 With regard to livestock production in Western Canada, the witness says "the climatic condition is such in Western Canada that I see no hope over a period of years or an indefinite period of years of having a stable livestock industry in Western Canada except in a belt to the north, and as long as the plains try to go into livestock periodically they are going to have trouble. As long as they go into

livestock on the plains, except beef cattle, they will have trouble."

7650 Witness suggests that other earnings of the C.P.R. should be thrown into the general pot in connection with the calculation of revenue requirements for rate-making purposes regardless of whether the income goes there. In making this suggestion witness admits he recognizes the possibility that there would be some danger in such a proposal since if revenue should go in so also would losses have to be considered as a reason for the increase.

Thinks Canadian public should get some benefit from what was given to the C.P.R. a long time ago.

7651 and 7652 Witness does not think that taking both profits and losses of outside undertakings into consideration in determining freight levels is a dangerous proposition since these investigations are so diversified.

7659-A Witness refers to special rates on such things as farm machinery, seed grain, purebred livestock, etc., and suggests that the original rate has been so long in disuse that in many cases it is obsolete and that the special rate has come to be considered as the normal rate.

7660 In cases of special rates, witness suggests that before changes are made it would be necessary to apply to the B.T.C. and that at that time the B.T.C. should enquire into the compensatory nature of the complaint.

7672 With regard to freight assistance policy on feed grains, witness thinks this gives the Western farmer a good market for his coarse grain and that history shows that the Western farmer would just as soon sell the grain as feed the stock.

7673 Witness indicates what he thinks would happen if the Dominion Government cancelled the feed freight assistance policy. The immediate effect would be an increase in the price of feed in Eastern Canada and the Maritimes of as high as 4 to 5 dollars a ton and as high as 7 to 8 dollars a ton in P.E.I. This would immediately raise the cost of livestock produced in the East and the production would drop off very drastically in a short time. Within one or two years it would shrink very sharply throughout the Eastern region. Thatin time would eventually bring a higher price because for a while it would flood the market, and then it would be scarce and the price would rise. Witness thinks it would end up eventually with Eastern Canada having considerably less livestock over a period of time. Doubts whether Western Canada would produce much more livestock as a result. Thinks this would be uneconomical in the long run.

7680 Witness admits that the ability of the farmer to pay increases in freight rates must be measured by the condition he finds himself in as regards the price he gets for his products.

7684 Witness does not think it is fair to compare agriculture by the percentage change in the price index which has taken place from 1939 to 1947. Witness admits that agriculture has had a steeper climb during that period but that is because 1939 was a very depressed level and that you would have to look back to the period 1926 to 1929 to get a proper picture since in that period agriculture was in balance with the rest of the Canadian economy.

7690 It is suggested to the witness that since 1939 with respect to manufactured goods other factors affecting price have been more important than freight rates. The witness says that demand over past five years has been the most important factor within trade in putting up price.

7704 Witness avoids answering question as to whether when debt capital on C.N.R. is reduced and transferred to equity capital, as suggested in the brief of the C.F.A., that the equity capital of the C.N.R. should be allowed to earn a return.

7705 and 7706 Discussion between Mr. Evans, on behalf of C.P.R., and the witness with regard to rate of return.

Vol 41

Submission by Canadian Electrical Manufacturers Association.

Witness - Mr. Leo M. Reilly.

7788 Submission deals with mixing privileges and discusses situation which presently exists with regard to Eastern Canada and those in the rest of Canada.

The condition which governs movement between points in the East is merely that the carload applicable will be the carload rate provided for the highest classed or rated article included in the mixed carload shipment.

With regard to movement in Canada other than between points in Eastern Canada, a mixed carload shipment may include only articles ~~for which carload shipment may include only articles~~ for which carload rates are provided in the freight classification under one distinctive heading as: Chemicals, Drugs or Medicines; Dry Goods; Electrical Appliances and Supplies; Groceries; hardware etc. Under such conditions the highest rate or rating provided for any of the articles included in the mixed carload shipment applies.

7789 The disparity as between the treatment extended to mixed carload shipment between points in the East on the one hand and from points in the East to points in the West and vice versa and between points in the

on the other hand was originally legalized as a measure of protection to Western wholesalers against the possibility of retailers bypassing wholesalers and buying directly from Eastern manufacturers for direct shipment to retailer in mixed carloads.

At the time of inception of this rule the Western wholesalers were successful in establishing their claim that in consideration of conditions then existing in Western Canada such procedure was in the public interest.

7792 Advocates the adoption of uniform open mixing as presently exists in Eastern Canada and says that this would curtail or eliminate such wasteful procedures as:

(a) The movement by less than carload rail service or highway transport of individual consignments from the carload distributing point to the final destination which involves delay and additional expense.

(b) The accumulation of large inventories by both the shipper and the consignee in attainment of the carload minimum requirement for certain lines of merchandise thus necessitating unproductive employment of capital.

7796 Submits that present situation with regard to mixing privileges is applicable to Western Canada (Section 2 of Rule 10) is: (a) not essential under existing conditions and circumstances to the interests on behalf of which it was originally written, (b) contrary to the provisions of Section 322 of the Railway Act, (c) Unjust and unreasonable and should therefore be disallowed by the B.T.C. under Section 325 of the Railway Act.

7798 Mr. Covert points out to witness that C.N.R. in their brief at Page 192 indicates that it is in favour of a uniform mixing rule for general application throughout Canada and that C.N.R. urges that the rule should be substantially the same as in Sectional, Rule 10 of the present classification. Mr. Covert also refers to C.P.R. brief, Part 2, first page in the Appendix, where the C.P.R. states that it has no objection to the establishment of uniform mixing privileges throughout Canada and points out that there is full power now under the Railway Act for the B.T.C. to establish a uniform mixing privilege.

7802 Mr. O'Donnell, on behalf of the C.N.R., refers to the history of the mixing rule as reported in Canadian Freight Association No. 1342, Volume 15, under the Board of Railway Commissioners for Canada General Order No. 421, dated July 17th, 1925.

7816 Submission by Boards of Trade of the Caribou District.

Counsel - Senator Gray Turgeon.

Witness - Mr. Geroge M. Murray, M.P.

7817 Senator Turgeon refers to settlement in Peace River country which took place after the

first World War when veterans were told that transportation facilities by rail would be given to that country connecting it with the Pacific coast. Also refers to statement by Sir Henry Thornton, who stated that when the Peace River country produces ten million bushels of wheat it would have rail communication with the Pacific ocean.

7870 Witness points out that settlement in the Peace River area preceded the railways although formerly the plan in Western Canada was to build railways before settlement.

7871 Witness suggests that the question of defence should enter into discussion with respect to the Peace River country and its development.

7872 Witness refers to fact that there is a limited railway service already available in the Peace River country provided by the Northern Alberta Railways owned jointly by the C.P.R. and C.N.R. The people of the Peace River area seek to have the lines of the Northern Alberta Railway extended from Hines Creek westward to new settlements already having a large tonnage of freight, and from Dawson Creek westward to other new settlements which already provide large tonnages of freight to communities where the sole transportation medium to-day is the motor truck so far as the movement of freight is concerned and the motor bus so far as the transportati of passengers is concerned, together with aircraft.

7877 Suggests that the extension of rail lines, even if only a small portion were done each year, might be carried out by the Northern Alberta Railways and that that extension would be profitable to them because there already exist there communities with a large tonnage waiting to be served.

7879 Witness refers to figure of 10 million bushels of grain and says they now have many times the amount being produced and suggests this as an additional reason for construction of rail lines.

7886 Refers to forest region with vast area of softwoods ample water power, great coal resources and every indication also of supplies of natural gas and petroleum.

7888 Coal resources of Peace River country are very extensive. Reference to the population on the Alaska Highway as being an economy dependent entirely upon motor trucks, motor buses and aircraft and suggests that it is in the interests of the railways to extend their lines so as to be able to service that region better with railway service.

7902 Witness agrees that if the proposed rail lines operated at a deficit that it should be subsidized by the Government.

7906 Mr. Brazier, on behalf of the Provincial Government of British Columbia, indicates that they are

vitally interested in the matters referred to by Mr. Murray and that the B.C. Government has had under consideration for some considerable time the provision of a rail outlet to the Pacific coast for the Peace River District. Mr. Brazier suggests that any recommendations the Commission might see fit to make should bear in mind the fact that the Provincial
7912 Government of British Columbia already has a very substantial investment in the Pacific Great Eastern Railway which would be the southern end of the proposed railway.

Mr. Brazier also indicates that a joint committee representing the C.N.R. and C.P.R. and the Province of British Columbia has studied the possibilities of developing a rail route to the Peace River and that this report is available and that he would be pleased to provide copies for the use of this Commission.

7913 Submission by Canadian Congress of Labour.

Witness - Dr. Eugene Forsey.

7914 to 7917 Canadian Congress of Labour submits that the basic principles governing national transportation policy should include the following:-

1. It cannot be based entirely on narrow economic grounds. Whether a particular service "pays" is of course a most important consideration. But in this country it cannot be the only consideration. Provision must be made for developing new areas.

2. The railways and other transportation agencies should not themselves be called upon to bear the burden of providing services which do not "pay". Thinks burden should be borne by the country as a whole.

3. Subject to the foregoing, railway and other rates should be non-discriminatory. There should be no discrimination between regions or localities, no discrimination against any particular industry. Each region, each place, each community should bear its due share of the cost of service.

4. Each type of transportation should be assigned the task it can most economically perform.

5. This involves bringing all types of interprovincial and international services under the control of the B.T.C. so that each type will be confined to its proper sphere and none will be allowed to engage in any competition with the rest.

6. Subject to the foregoing railway and other rates should be set at a level which will allow the various transportation agencies to pay their employees proper wages and to earn a reasonable return on their investment.

7. It follows that the capital structure of the C.N.R. should be such that "the fixed charges of that Company" would be "on a basis comparable to other major railways in North America".

8. All the ancillary enterprises of the railways, such as hotels owned by the railways, ought to be brought within Dominion jurisdiction to ensure uniformity in labour relations and labour conditions and thus avoid the complications which now arise from the stand point of both management and worker.

7921 With regard to the proposal that transportation facilities must make provision for developing new areas, the witness indicates that he thinks that this would be a matter essentially of Government policy and for Parliament. The carrying out of the policy would then be left as to the actual construction of a new line or anything of that sort to the Railway Companies themselves with such assistance as the Treasury or Parliament might see fit to give them out of the public treasury and the regulation of the whole thing would be a matter for the Board of Transport Commissioners.

7922 Witness approves the principle of the M.F.R.A. and indicates that in his opinion that embodies the correct principle. If you are going to provide special rates for a certain part of the country the thing should be subject to subsidy from the public treasury if that is a matter of public policy. Then the railways as economic organizations, should not be expected to provide that out of their pockets at the expense of other investors in the railway or at the expense of workers of the railway or at the expense of other shippers.

7927 and 7928 In the case of abandonment, where on the balance of public necessity and convenience the B.T.C. considers the abandonment should not take place but that the line should continue to be operated then the witness feels that in such a case that the line should be subsidized.

7932 Witness confines his suggestion to placing transportation facilities under one body, to interprovincial and international facilities since he does not think it is practicable to hope that the Provinces will surrender their jurisdiction.

7934 Advocates control of national transportation facilities under one body although witness admits he realizes the difficulties of centralized administration and danger of such an organization becoming too heavy.

7985 Witness is questioned as to whether he has any improvements to suggest in the conciliation machinery as provided under the existing legislation. "My experience of conciliation boards, both as a member of them and as a witness before them, has been that on the whole the Dominion and Provincial Departments of Labour do do their best to live up to the terms of the Acts now and to proceed with as much expedition as possible, but that it is very difficult to do so. We think the thing ought to be shortened but I have never discovered a foolproof way of shortening the period."

7986 Second witness on behalf of the Canadian Congress of Labour - Mr. J.C. McGuire.

The number of truck drivers or operators in the Canadian Congress of Labour is approximately one thousand.

7987 The truck drivers in the C.C.L. membership are not all railway employees. A number of them are employed by cartage companies who are agents of the railway companies in cities such as Winnipeg and Toronto and in the other larger centres.

7990 Witness states that to his knowledge the C.C.L. has never opposed abandonment of any specific lines.

Witness says that they know to-day by careful analysis that a motor truck has got a certain degree, a higher degree, of efficiency operating within a certain radius than what railway equipment operating on fixed roadbed could possibly have. In other words, the motor truck is a much more mobile unit of transportation. You can change its direction without having to change its roadbed.

7994 Witness says that each unit of transportation should be confined to its sphere, the most economical sphere of operation in the public interest, - that if the truck can handle goods within a 50 mile radius more economically than the railway then the truck should be used as an ancillary service to the railway as a feeder to the railway. The railway should go into the trucking business. They should go out and acquire those trucks and use them for feeders to the other transportation systems of the country - not as competitors but realizing that while the truck is a big factor in transportation it cannot in this country take the place of the steam railway.

Vol 42

7997 Amalgamation of Algoma Steel Corporation Limited.

Witness - Senator F. G. Popo.

8000 Algoma concedes that it is necessary that railway earnings should be maintained at fair and reasonable levels and that increasing operating expenses would give rise to the necessity for increased revenue.

In Canada the primary iron and steel industry consists of three major plants, widely separated in distance from the principal Canadian market. It is a competitive business and the competitive position is closely dependent on transportation costs.

If industries are to prosper they must not be prevented from reaching competitive Canadian markets with their products. To this end objection has been taken to the application of general percentage increases of freight rates applicable to the long haul and relatively low value products.

8001 Whatever may have been the practice of the R.T.C. in earlier years they apparently are of opinion at the present time that their power under the Railway Act to take into account competitive or economic features of industrial concerns is circumscribed and that they have no responsibility for the preservation of competitive relationships even where these are governed by the cost of transportation. It is left entirely with the railways through adjustment in the commodity rate structure to allow the products of any industry to reach available markets on a competitive basis. It is left to the railways to decide the capacity of iron and steel producers to reach Canadian markets not necessarily on an approximate equality of terms but even on terms which will permit them to continue to ship and attempt their existing handicaps.

8002 Algoma's plant is located at Sault Ste. Marie.

The principal area of consumption of steel products in Canada is in a narrow strip from Montreal to Three Rivers westward along the St. Lawrence and Lakes Ontario and Erie to Windsor. In that territory approximately 80% of Algoma's production of pig iron, billets and bars is marketed. The Sault is approximately 439 miles from Toronto.

Competitors of Algoma are Steel Company of Canada, at Hamilton, Ontario, and Dosco, at Sydney, Nova Scotia.

The Hamilton plant is located approximately in the centre of the consuming market. Movements from Sydney, Nova Scotia, into the market territory have been assisted under the M.F.R.A.

0005 Average rate advantage of Hamilton over Sault Ste. Marie prior to April 8th, 1948, amounted to $2.73 per net ton. In other words, to meet competition in this essential market so as even break with Hamilton, Algoma would have to absorb, prior to the increase, $3.73 per net ton.

General freight rate increases applied horizontally and without the imposition of any maximum on long haul necessarily widen the preference or rate advantage of Hamilton and thereby tend to cut off Algoma from the principal consuming part of the Canadian market.

0006 In the United States the railways recognize that it is in their interest and in the interests of the country generally that such an important element in the national economy as the iron and steel industry should not be unduly hampered by excessive freight rate charges from meeting competition in available markets.

0006 Admits the imposition of maximum increases on long haul traffic of iron and steel would cushion effects of horizontal increases to some extent.

It is further recommended that B.T.C. should have more effective control over commodity rates and should have the power and duty to examine and review all such rates with a view to preserving conditions in an industry which enable its products to move freely to available markets; to consider the effect of proposed changes on the movement of traffic and to preserve commodity rate relationships which have been established and under which industries have developed.

0007 Submits B.T.C. should have and exercise wider supervisatory powers over freight rates generally and where necessary to consider the effect of competitive economic conditions to such extent as is consistent with the maintenance of revenue earning traffic.

Submits that such amendments to the Railway Act as are necessary to clothe the B.T.C. with these powers should be recommended.

0010 Algoma claims that disadvantages zoned as disadvantages of location have been accepted by them but that these disadvantages have been increased by horizontal increases.

0010 Does not suggest that freight rates should be used to equalize costs of production but feels that in so far as freight rates are concerned that it would be to the benefit of the country and to the railways and to Algoma if a means could be found of equalizing rates to such a degree that they could continue to get into their markets.

Suggests that by a series of horizontal increases their position would get worse and worse and that conceivably they could be priced right out of certain markets.

Is not prepared to go as far as suggesting that R.T.C. should become a sort of economic planning board. Believes, however, that R.T.C. should have the power to weigh business factors and that when the R.T.C. comes to the consideration of the reasonableness of the rate that they ought to look at the position of the shippers who are going to be affected by that rate and not merely the question of how much it will realize for the carrier.

Reference is made to position of R.T.C. in Western Retail Lumber Association vs. C.P.R., Canadian Northern and Grand Trunk, 1915, 20 Canadian Railway Cases, 155 at 158. "The obligation of the Railway Company is to charge a reasonable rate. It is not called upon through the regulation of the rate to guarantee that the business will be carried on at a profit. In other words the needs of business and the way in which it is carried on are not the measure of the reasonableness of the rate.".

Witness agrees with this statement for the most part but says he does not think it is the function of the Railways or of the R.T.C. to keep an unprofitable organization going and by manipulation of freight rates or fixing of freight rates to make up for differences in costs of production.

Chairman queries whether R.T.C. in deciding what a freight rate should be should take into consideration the cost of production on that article in each of the three different steel plants. Mr. Sinclair, on behalf of the C.P.R., does not think that they should. The witness thinks there would be cases where it would be almost necessary for the R.T.C. to do that in order to carry out what Algoma has suggested although he points out this is restricted in a sense to the transportation charges to the market concerned.

Mr. Sinclair, on behalf of the C.P.R., says "I say the argument is this, that in so far as transportation does not increase to a greater percentage of cost or selling price, one plant compared to another, the mere fact that there has been a greater increase in costs, one plant to another, has no effect whatsoever on disturbing competitive relationships."

Witness says he is not going as far as recommending to the Commission that the R.T.C. by legislation should not be allowed to give horizontal increases.

Witness in referring to suggestion made by Mr. Sinclair at page 3076, points out that the maintenance of the relationship of the transportation cost to other costs in the total cost of an article would not necessarily be dependent on the cost of transportation. A variation

in the percentage of transportation to other costs may be due either to a change in transportation costs alone, to a change in other costs alone or to a combination of the two.

Witness suggests that the railways under present conditions are weighing the economic factors and the relative position of industries and to some extent controlling their destinies while the B.T.C. is not exercising any supervision over that aspect of the railway activity.

With regard to the suggestion that a percentage increase should be accomplished by a maxima in certain circumstances for certain products in certain industries the witness indicates that he thinks that the extent of the maxima would have to be left to the judgment of the B.T.C.

Refers to the broad powers given to the B.T.C. by Subsection 5 of Section 325 of the Railway Act but suggests that this may not go far enough and recommends that there should be an examination of the powers of the Board of Transport Commissioners to make sure that they do have the power to do the thing which Algoma is complaining about.

Mr. O'Donnell refers to the 21% case and the fact that rates on coal and coke were only increased 25¢ per ton but that in the 20% case rates on coal and coke may be increased 84 per ton so that the B.T.C. uses both methods.

Witness points out that B.T.C. consider the request of the railways for a flat limitation on the increase on coal and they granted it but that it did not deal with iron and steel products in the same way and that is Algoma's complaint.

Mr. O'Donnell points out that witness is suggesting that geographic and economic conditions should be considered and that the shipper should be considered when freight rates are being fixed and suggests that this is more or less equivalent to a consideration of the shippers ability to pay freight.

Submission by Federation of Automobile Dealer Associations of Canada.

Witness - Mr. McCullough and
Mr. Wilson.

Refers to serious situation developing with franchised dealers of automotive vehicles which if not corrected will continue to react in an increasingly disastrous manner in favour of used car operators and others who in opinion of the Association are not entitled to the benefits which they are at present enjoying.

refers to present practice of used car operators "roading" automobiles and trucks from points in Eastern Canada to other Canadian sections and particularly to points in Western Canada and that this is being done at a cost lower than freight charges paid recognized carriers by franchised dealers.

2140 Suggests that loss of this business also effects railways.

Believes that a remedy can be applied only by an adjustment in freight rates that would return transportation of the vehicles to recognized carriers and which in turn would automatically result in business being handled by franchised dealers.

Also points out that they want railways to reduce freight rates on passenger cars to the same applicable to trucks.

2143 Says that it has been established that expense in "roading" a vehicle from Eastern to Western Canada is lower by approximately $100.00 than the charge made by recognized carriers.

2147 Vehicles are "roaded" from Eastern Canada to Calgary in 4 to 5 days as compared to railway taking 7 to 8 days.

2148 Suggests that if satisfactory solution cannot be found by railways offering reduced rates that franchised dealers will be driven to alternative means of transportation.

Vol 43

2175 Reference by Mr. O'Donnell to Judgment of Mr. Justice Kerwin of the Supreme Court as reported in 60 Canadian Railway & Transport Cases at Page 255 in re 30% general increase in tolls and freight rates, --- this being a Judgment concerning the motion for leave to appeal from an Order of the B.T.C. The point taken is that the Board has no jurisdiction to permit a flat horizontal increase in the tariffs. Mr. Justice Kerwin states "I am satisfied that under Section 34 of the Act (Railway Act) taken by itself, but particularly when taken in conjunction with Section 325 of the Act, jurisdiction does reside in the Board to hear the application made to it by the Railway Association of Canada."

In the Judgment of the Chief Commissioner on this question of jurisdiction he listed the various percentage increases and pointed out that there had also been percentage reduction cases and then went on to say: "Though the Railway Act does not specifically state that the Board has authority to grant percentage increases or decreases in rates, its statutory power under the Act to deal with matters such as are now before us are so wide that special authorization would not seem

necessary. The realistic and practical manner of dealing with the matter, it seems to me, is the course which has been followed by the railways."

0173 Mr. O'Donnell refers to Ex Parte 152 of the I.C.C. where there had been a percentage increase with maxima on iron and steel products. He points out that this maxima had been asked for by the railways themselves and that in fact in a later case, Ex Parte 156, an interim percentage increase was granted on December 29, 1948, without any limitation or maxima concerning iron and steel.

0180 Submission by City of Quebec and Quebec Chamber of Commerce.

Witness - Mr. Frank Power.

Object of this submission is to set forth some of the economic and geographic disadvantages under which the City and district of Quebec finds itself in relation to various transportation services.

0181 The Submission is directed towards the restoration of certain priorities in trade and commerce in territories adjacent to and normally tributary to the City of Quebec, of which priorities the citizens of this section believe themselves to have been deprived.

It is also directed towards the preservation and implementation of those statutory and contractual rights which the City of Quebec has acquired in the past.

In particular the submissions are:-

1.- The amendment of the Maritime Freight Rates Act so as to include the City of Quebec in the "select" area;

2.- The amelioration of the unsatisfactory and disadvantageous situation as regards Maritime transportation in which the port of Quebec finds itself under the existing administration of the National Harbours Board and the provisions of the National Harbours Act.

3.- The preservation of the statutory preferential rate on the shipment of grain and other products from the Prairie Provinces to Quebec over the National Transcontinental Railway.

0183 Refers to Duncan Commission who found that the Maritime Provinces were faced with serious economic disadvantages, vis-a-vis the rest of the Dominion of Canada because of the fact that the Intercolonial Railway was not built or capable of operation on an economical or commercial basis.

8188 Duncan Commission found that a lower level of rates commensurate with the needs and requirements of Maritime trade were in effect up to 1913. However, they found that as a result of the first Great War and the consequent economic activity, these rates were increased at the same time as all other rates in the railway structure. They found that with the cessation of this inflationary activity and the general return to normal commerce and economic activity that the Maritimes found themselves in a position where they were unable to compete in the Central Canadian market.

8189 Recommendation of Duncan Commission with regard to freight rates:-

"We recommend, therefore, that an immediate reduction of 20 per cent (so that 192 will become approximately 155) be made on all rates charged on traffic which both originates and terminates at stations in the Atlantic Division of the Canadian National Railways (including export and import traffic, by sea, from and to that division), and that the same reduction be also applied to the Atlantic Division proportion of the through rates on all traffic which originates at stations in the Atlantic Division (excluding import traffic by sea), and is destined to points outside the Atlantic Division.

"For this purpose, we submit regard the Atlantic Division as ending at Riviere du Loup and Brook, which are its present western limits. The divisional points should, in our view, be Diamond Junction and Levis, Diamond Junction being the point at which the Trans-continental Railway meets the old Intercolonial Railway, and Levis the point to which in 1872 the Intercolonial Railway was extended."

8189 Submission of City of Quebec in conclusion states: "that the City of Quebec is not in any way attempting to obtain preferential treatment, on the contrary it hopes that the submissions contained herein will have the effect of inducing this Royal Commission to make such recommendations as may be required to remedy the disadvantages under which the City of Quebec has laboured and is labouring in its struggle for economic prosperity and self-sufficiency."

8189A to 8189 Discussion by Chairman and Counsel with regard to admissibility of telegrams and other communications received by the Commission and consideration as to whether these should form part of the official record. This discussion arose as a result of a communication received from Truck Drivers and Helpers Union, Local 31, Vancouver, B.C., objecting to submissions made by Mr. J.F. Sally,

of the Dominion Joint Legislative Committee Railway Transportation Brotherhood, and also with reference to a letter received by the Commission from the Steel Company of Canada.

8339 to 8341 Statement by Chairman with reference to the question of the evidence to be heard in connection with Crow's Nest Pass Grain Rates. Announcement by Chairman that this matter will be discussed in open hearing on Monday, November 14th -- that is the preliminary question of the nature and extent of the enquiry to be undertaken by the Commission with respect to Crow's Nest Pass Grain Rates.

8341 Submission by the Province of Manitoba.

Witness - Mr. R. H. Moffat.

8349 Witness points out that they would like the Commission to consider this submission and the brief presented by Premier Campbell to be an integral part of Manitoba's over-all presentation.

The material contained in either of them should be interpreted in the light of both and the explanation of many of the statements of attitude made in this submission will be found in the economic and historical situation which was pointed out in the statement of Premier Campbell made on June 1st, 1949.

8372 Witness indicates that Manitoba in this submission intends to direct its attention only to railway matters. He suggests that this is a reflection of two things. Firstly, since Manitoba is situated in a part of the country where water competition is effective only to a limited extent, the railways are in a strong quasi-monopolistic position as sellers of transportation services. Secondly, since the Manitoba Government has taken an active part in the recent freight rate cases before the Board of Transport Commissioners, this Government has the staff and experience to deal with the details of the major problems of the railroad freight rate structure whereas it would only express general attitudes and suggestions on other aspects of transportation matters.

8373 The suggestions of the Province of Manitoba therefore are conditioned by its experience of the immediate past and by its Prairie environment.

8374 Refers to fact that people in Prairie Provinces pay heavy freight charges on both incoming and outgoing shipments which pass through two or more regions and therefore their primary interest must be not the level of freight rates in the Prairie region alone but the general level of freight rates throughout Canada.

Refers to rates on wheat and the fact that in the long run and under ordinary marketing conditions there is no question that the return to the Western farmer for his wheat is price at the world market less the cost of transporting his wheat to the world market.

8375 and 8376

Refers to the fact that this analyses may not be precisely true under the temporary situation during the existence of the United Kingdom contract price for wheat. Under the international wheat agreement there is room for negotiations so it would not affect the situation.

8377

Witness says while they have no direct interest in the level of freight rates which apply on movement of goods entirely within other regions yet these levels may have an indirect but very important bearing upon the welfare of Manitoba.

8378 and 8379

While it may be argued that some of these low rates may result in a benefit to Manitoba, which benefit offsets to some extent, the burden described above, the Manitoba Government believes that such benefits to Manitoba do not nearly equal the burdens upon Manitoba emerging from these low rates. The greater part of the benefit is enjoyed by people in other areas, while the revenue losses are compensated by high rates in the west. Hence, the Manitoba Government finds that while its primary interest is in the general level of freight rates, it also has a very strong secondary interest in a rate structure more uniform as between regions particularly in the securing of a uniform class rate structure, and the eliminating of all uneconomically low competitive rates. It is the national freight rate structure, operating within a framework of national policy, and not merely the rate structure in this province alone, in which the Manitoba Government is vitally interested.

Vol 44

8462 Manitoba brief submits that incidence of freight cost is on the primary producer.

8463 Referring to wheat contracts witness states "It seems to us that when the time comes to negotiate a new contract or when there is a return to ordinary marketing conditions, the price which will come to the producers of western Canada will primarily be determined by the price that the United Kingdom would have to pay for comparable grain from other parts of the world, less transportation costs."

8465 Railways have always been regarded by Dominion Government as instruments of national policy. Witness stresses almost complete dependence of certain areas, notably the Prairies, upon the railways for the provision of transportation services for their major products. This means that in Canada railways cannot be regarded merely as business enterprises which are entitled to maximize their profits by applying strictly business principles without regard to regional needs, or national policy.

8466 Manitoba submits therefore that railways must be regarded as national instruments which must be used in an equitable manner having regard to the aims of national policy, the needs of regional development, and the maintenance of a satisfactory standard of service.

8467 Manitoba believes C.P.R. should continue to operate as a privately owned system within the detailed framework of law and regulations governing railways.

8473 and 8474 Submits that B.T.C. must inevitably find itself involved in questions of more detail such as standard of service that is to be provided and the standard of service which is to be charged up in the form of high rates.

8475 Feels B.T.C. cannot simply restrict itself to the negative job of preventing things from happening; it must move over into taking some initiative on its own and starting things to happen. The example referred to by the witness is with regard to equalization of rates by areas where B.T.C. has simply forbid any introduction of discrimination but has not gone ahead and directed railways on its own initiative to eliminate discrimination.

8476 The foundation of the concept of regulation of public utilities lies in a public recognition that the function of meeting certain of the community's economic needs will not be fulfilled adequately unless certain restraining influences are introduced.

8477 The features which make the railway industry a fit subject for public scrutiny and supervision and place it in the category of a public utility, are two in number.

1. It is an industry on whose efficient and uninterrupted operation the rest of the economy is heavily dependent.

2. It is an industry in which there are important limitations upon the ability of competing firms to establish themselves.

8478 The responsibility of the regulatory body has been to ensure that the public as a whole as well as particular sections of it, is protected from unduly high rates and inadequate service and at the same time to safeguard the legitimate rights of the enterprise which is being regulated.

8482 Refers to Reports of Professor S.J. McLean made in early 1900's the result of which was legislation setting up Board of Railway Commissioners to administer the railway regulation policy as laid down in the Railway Act. The essential nature of that Board and that Act was that they were designed to prevent abuses and to remedy discrimination where complaints were lodged. In other words, the emphasis has shifted substantially from that of mere provision of railway service to that of preventing unfair treatment of the users of the service.

8483 Submits that depression of 1930's and experience during and since second great war has produced such a change in public attitudes on transportation questions that there is need for a complete reassessment of the Railway Act and its administration to bring them into line with present conditions.

8484 Submits a definite change in functions of the railway system has taken place and that its prime function now is to serve an existing community effectively, rather than to build a new one. In addition the provision of new railway facilities will be relatively small part of the Canadian transportation problem while the manner in which existing railway lines are used will be a paramount issue.

In these changed circumstances the interest of the public in railway operations changes, with less emphasis being placed on the promotion of increased trackage and other rail facilities, and a greater emphasis on using the existing railway facilities to meet the ever-changing needs of the community. The effect is to require a shift in the nature of regulations.

8485 Submission states "On the one hand public regulation should shift its emphasis away from mere restrictive measures to prevent abuse of the semi-monopolistic position of the railways and toward the acceptance of responsibility for initiating policies required to adjust the railway system to the changing needs of the community and its parts. On the other hand, there must continue to be a clear recognition that if this is done it carries with it the responsibility to make sure that the railways have available to them, the funds and the facilities necessary to provide the type of service which the country requires."

8501 Witness states "In a sense, the establishment of the Board of Transport Commissioners involved a delegation of policy making functions from the Dominion Government to that Board. The general approach which the Board is to take in deciding the highly technical matters which come before it is laid down in the Statute, but within those broad limits the Board acts in a legislative as well as in a judicial capacity. There is probably much to be gained in turning over to a specialized group the policy making functions on specialized questions. The gain in terms of efficiency and time saved is probably enormous. At the same time no one can accept the proposition that policy decisions in such an important field as this should be final if made by a body other than the Dominion Government. The ultimate responsibility for public policies must rest with the Government."

8502 Suggests that since the Board base its decisions in many cases upon the consideration of facts which go far beyond the limits of railway operation as such that it is essential that the Act make it clear that the Board has the power and responsibility to consider such matters.

Submits that Railway Act should make it clear that Dominion Government has responsibility and authority to disallow or vary any Order of the Board.

8503 Also suggests that in some cases where the Railway Act has laid down only the general lines of policy the result will inevitably be that in many situations there will be several alternative policies which might be adopted, all of them perfectly consistent with the general policy laid down in the Act and witness suggests that in situations such as these it should be made clear that the Dominion Government has the authority to designate which of those alternative policies is to be applied. He gives as an example of this the method of handling depreciation.

8510 Manitoba is of the view that the B.T.C. should not simply wait for applications and complaints to be raised before it and render a judgment on them. Rather the B.T.C. and its staff should constantly be in close contact with the changing railway picture and should take the initiative in directing the course of those changes when conditions warrant such steps.

8515 Manitoba believes that B.T.C. should decide questions which come before it on their individual merits quite apart from the fact that similar questions have been decided in a particular way in the past. This is not intended to suggest that precedence should have no place at all in the jurisprudence which will be built up by the Board in the future, but in so far as there has been a definite realignment of interests in railway matters in Canada in the last two decades, it seems desirable to effect a fairly complete divorce from the decisions of the

past and to make a fresh start.

8518 "The view of the Government of Manitoba is that since one of the fundamental facts underlying this whole problem is that the people of Canada must pay for this transportation service, it follows that the people of Canada as a whole have a right and a duty to insist that the standard of service which is provided is satisfactory and that it is provided at the least possible expense to those who must pay for it."

8519 Refers to first item in Manitoba brief of points, which reads as follows:- "1. The national system of railway transportation in Canada, including all the railway companies, is one of the fundamental basis of the general welfare of Canada, and consequently it is essential that this service should be maintained at a standard which is sufficient to provide adequate transportation for the products of Canada, but it is equally essential that the standard of transportation services should not be one which is beyond the capacity of the people of Canada to pay for."

8520 Witness says that in practice the suggestions made by railways as to standard of service will be reasonably acceptable to the public, but feels that it is essential that R.T.C. make its own investigations and come to independent decisions as to the advisability of setting higher freight rates in order to provide for a higher standard of service.

8522 Witness says "The rate of expansion and the standard of service to be provided is no longer a problem which can be safely left exclusively in the hands of railway management. It must now be considered as part of the over-all national economic policy.

8533 Submits that Commission should recommend a change in C.N.-C.P. Act so that in future rate cases the R.T.C. will be able to take into account in its decisions any evidence which is available with respect to co-operation between the two railway systems and the possible savings which might result therefrom.

8536 Submits wages is the largest single item of operating expenses of Canadian railways. In 1948 wage payments by C.N.R. and C.P.R. totalled $426.6 million, accounting for 57% of the total working expenses paid out in that year by the railways. Estimates provided by the two railways show that the increase of 17¢ an hour awarded in 1948 to all railway employees added $67 million per year to the operating expenses of the two companies.

Refers to Statement by Premier Campbell at regional hearing held in Winnipeg, June 1st - "Thus, one of the issues is a decision as to whether Canadians should pay higher freight rates in order to ensure to many categories of railway employees a level of wages higher than that paid for comparable work elsewhere throughout Canada. In our view this is a matter which is too important to be overlooked in your deliverations."

8539 Gives detailed figures for average weekly salaries and wages for the nine leading industrial groups in Canada, and points out that within the Transportation group the employees in steam railway operations received the highest wages of all those listed, namely $56.64 per week. Within the Construction and Maintenance Group, employees in railway construction and maintenance received an average of $42.91 per week.

8540 "It is apparent, therefore, that wages paid to employees in steam railway operations in Canada are now at a level which compares very favourably with wages in the highest wage industries in the country and which is very substantially above the general average of wages in Canada. In view of this fact, and because there is, without question, a direct connection between wage increases and freight rate increases, the Manitoba Government believes this aspect of the transportation problem should receive your Commission's full consideration."

8545 Refers to place of C.N.R. in making of freight rates.

In United States practice is to work out an average of the 30 or more Class I railroads, which system is quite satisfactory. In Canada such a system would be completely impractical due to the fact that there are only two major railways and that an average would prove unsatisfactory as a measure of the needs of either of them.

8545 and 8546 Practice in Canada, therefore, has been to use C.P.R. as yardstick because of fact that capital structure of C.N.R. is such that its fixed charges are far in excess of those for comparable railways on the North American continent and using C.N.R. as a basis would mean that C.P.R. would be provided with a level of rates far in excess of anything which could be justified by the needs of the C.P.R. alone.

Also suggests that current operating expenses of C.N.R. include the cost of operating a substantial number of lines which would not be kept in operation if the only criteria were those which apply to a commercial enterprise. e.g. developmental lines and lines for national defence.

8547 Unless the level of Canadian freight rates is high enough that the C.P.R. has a reasonable opportunity to earn a satisfactory return if operated efficiently, it cannot maintain itself as a privately owned enterprise. On the other hand, the people of Canada would insist that the level of Canadian freight rates must not allow the C.P.R. to earn exorbitant profits for its shareholders. If there is any widespread feeling that exorbitant profits are being earned, the status of the C.P.R. as a private corporation will be seriously challenged.

8548 For these reasons Manitoba suggests that in the future the level of freight rates in Canada will have to be geared closely to the needs of the C.P.R. unless the C.P.R. is to face the risks of bankruptcy or nationalization

8549 Suggests that the mere scaling down of the fixed charges of the C.N.R. without regard to the other factors would be far from a satisfactory solution of the financial problems of the C.N.R. Strongly of the view that the overall total results of the C.N.R. should form no part of the calculations which determine the level of freight rates to be charged in Canada.

8552 Suggests importance of making a division between rail and non-rail activities and suggests certain principles to be followed.

First principle should be that once a decision has been reached to include a given activity in the rail category, then that activity should be included in the rail revenue accounts, the rail expense accounts and the rail capital accounts. Similarly if a given activity is classified as non-rail and its revenue is not added into rail revenue then it should follow that the current expenses and capital charges appropriate to that activity should also be excluded from rail expenses and rail capital charges.

8553 Second principle is that the rail category should include all activities which are an integral part of the railway transportation activities of the Company. e.g. Rail category should include all the activities of the C.P.R. express and C.P.R. telegraphs and that those water transport facilities which are direct links between rail facilities should also be included. On the other hand it seems equally clear that assets such as C.P.R. holdings in Consolidated Mining and Smelting and activities such as ocean steamships, belong in the non-rail category. Suggests necessity of careful and comprehensive study to reach a final decision on the more doubtful activities such as C.P.R. hotels and on items such as the Soo Line Railway and the Toronto Terminal facilities where C.P.R. owns a part or a full interest in an enterprise which is very closely related to C.P.R. rail transportation, but which may or may not be considered an integral part of C.P.R. rail transportation

8557 Refers to necessity of making a detailed examination of total railway operating expenses before attempting to decide the level of freight rates which is proper for Canada.

8558 Gives detailed figures for years 1935 to 1948 showing total railway operating expenses for C.P.R.

8560 Compares total operating expenses with operating revenues and point out that increase in gross earnings was almost exactly equal to the increase in working expenses over the last 14 years.

Vol 45

8573 Refers to 30% case where Manitoba contended R.T.C. under broad powers conferred on it in fixing rates should make definite finding as to method of depreciation to be adopted for rate making purposes and contends that R.T.C. should have made a finding as to whether user basis or straight line basis should have been adopted.

8574 Suggests Dominion Government should have final responsibility in directing method of depreciation but that R.T.C. should continue to function and merely be directed along lines of Government policy.

8575 Believes that functions of any administrative tribunal are subject to the directions of the Government.

8578 Question by Dr. Angus as to whether just and reasonable rates would include rates fixed in the public interest for promoting development or helping a backward industry or something of that kind. The answer appears on page 8522 where the witness says "No". Manitoba interprets that as a requirement that the R.T.C. sets rates in the public interest. Manitoba does not think that it should be extended to the extent of giving R.T.C. authority to decide that such and such an industry should be developed in this area, and therefore a low rate should be provided for that industry. In other words, they would not want to see the R.T.C. made into an economic planning board. They do think that R.T.C. ought to take into account questions of national importance, national policy, such things as equalizing rates in all areas, such questions as whether one area may be making more profit to the railways than another area and consequently one area being subsidized at the expense of another --- questions of that sort but not questions which go to the development of an individual industry.

8583 Manitoba thinks in terms of a pre-conceived idea of what the rate structure should be in terms of equality but it is only in the part which is working towards equality of cost and of opportunity by regions that they think they should work towards pre-conceived rate structure.

8584 Manitoba would agree with the suggestion that the function of the R.T.C. as delegated by Parliament is not to make rates to develop business but to deal with the reasonableness of rates either on complaint or of its own motion provided that the R.T.C. used their own motion more extensively and did not wait for cases to be brought to their attention to the extent theyhave in the past.

8589 to 8592 Mr. Shepard, on behalf of the Province of Manitoba, refers to certain Sections of the Railway Act outlining the present powers of the R.T.C. and referred in particular to Sections 325; 38; 39; 314; 317; 320 and 322.

8592 Recommendations as to suggested amendments will be put forward by Manitoba in argument.

8594 Witness is questioned on his views as to what is a satisfactory return.

"In the view of the Manitoba Government it is not possible to define in advance what is a satisfactory return; that this is a question which has to be left for decision by the appropriate authorities at the time when the question is up for settlement; and that we think it not only impossible but undesirable that any attempt should be made to define reasonable return on a continuing basis.

Witness qualifies his answer by saying that his instructions are that this question of railway returns is one on which the Province would prefer no particular yardstick be advocated at the moment, except to say that any yardstick regardless of what it is, should not be considered as something rigid and unchangeable but as something to be decided from time to time as the problem arose.

8599 Refers to C.P.R.'s present retirement policy which deals with its plant in three main categories:

1. Rolling stock

2. Road Depreciable --- principally "structures"

3. Road Non-depreciable --- principally "way" including rails, ties, ballast, grading, track-laying and surfacing.

8600 and 8601 Refers to three past practices of C.P.R. with respect to depreciation.

1. The renewal method -- in which the cost of the replacement unit of like capacity is charged to the user as an operating expense of the year in which the replacement is made. The "first original" cost remains in capital account -- presumably in perpetuity.

2. The retirement method -- "Under this method, as with renewal accounting, the "first original" cost is capitalized. But when the useful life is ended, the user, through current operating expenses, is charged an amount equal to "first original" cost and the funds so released are used to remove the item from capital account and reduce investment accordingly. The cost of the replacement is capitalized and takes the place of the "first original" cost of the retired asset, in the investment account.

3. Depreciation Accounting -- As in the other cases, the "first original" cost of the asset is capitalized. Thereafter the user pays an annual amount through current operating expenses sufficient that when the annual amounts are accumulated during the useful life of the assets, they equal the "first original" cost. When the unit is retired, the accumulated reserve is used to offset the "first original" cost and remove it from the investment account. The cost of the replacement unit is then capitalized in the same way as in the retirement method."

8601 and 8602 A definition of "depreciation":

"Depreciation accounting is a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage if any, over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation not of valuation. 'Depreciation for the year' is the portion of the total charge under such a system that is allocated to the year. Although the allocation may properly take into account occurrences during the year, it is not intended to be a measurement of the effect of all such occurrences."

8602 "The fundamental distinction between the three methods is this. In the case of renewal accounting, the users of the service pay for the replacement in the year in which it goes into service as a replacement. In the case of retiral accounting, the users of the service pay for the asset in the year in which it goes out of service. In the case of depreciation accounting, the users of the service pay for the asset by means of a regular annual charge which is set aside and accumulated into a reserve."

Suggests that if the amount being put into depreciation reserve exceeds the amount being taken out of the reserve by a considerable amount that there is need for a careful review of the situation.

8605 It is the submission of the Manitoba Government that this Commission should recommend the criteria and the yardstick by which the B.T.C. should be guided in attempting to reach decisions as to the propriety of the accounting policies governing retirement and renewal of railway plant.

8609 Suggests that present criticism is that the annual amounts set aside in recent years have been too large and that if they continue in effect, the users of the service will be called upon to pay the full cost of the assets and a rather substantial sum in addition. They acknowledge that the users must pay back the cost of the equipment. The objective in criticizing the present practices is to prevent the development of a situation in which the depreciation provisions return the full original cost of the equipment and provide something in addition.

8510 and 8511 Sets out recommendations by Manitoba Government with respect to accounting matters.

"1. That the Railway Act should be amended in such a way that it is made clear that the authority and responsibility for setting the retirement and renewal practices to be used for rate-making, lies in the hands of the Board of Transport Commissioners and not in the hands of any interested parties, either the Railways or the users of the service."

(This recommendation is subject to what Manitoba has said as to the continuing responsibility of the Dominion Government)

"2. That the Board of Transport Commissioners should have the authority and the responsibility for determining which assets are to be treated on the basis of retiral accounting or of renewal accounting or of depreciation accounting."

(The same rider applies as to the continuing responsibility of the Dominion Government)

Witness points out that the same rider applies throughout the entire brief.

"3. That the Board of Transport Commissioners should undertake its own independent studies of service life of those assets which are to be handled on the basis of depreciation accounting."

"4. That in dealing with those assets which are to be handled on the basis of depreciation accounting, the service life data should be calculated in terms of years rather than in terms of units of mileage or traffic volume. In other words, that the depreciation, where it is used, should be calculated on a straight line basis rather than on the present user system."

8512 Does not suggest that Railway Act should be amended to indicate what method of depreciation should be used but rather that this should be decided by the B.T.C. but subject always to the over-riding jurisdiction and policy of the Government.

"5. That the Board of Transport Commissioners should establish the necessary administrative machinery for maintaining a continuous review of all the above decisions."

8522 Recommends that a renewal accounting should be inaugurated in all those groups of assets where the life is long and where in consequence the year by year replacement tends to be relatively steady and tends to be a relatively

small part of the total assets or where management policy with respect to maintenance can have a material effect on lengthening or shortening life. On the other hand, depreciation accounting should be instituted for those items in which the life is short. Where the annual replacements tend to occur in bunches and where there tend to be other periods when replacements are much less significant.

8626 Recommends a careful study to be made of the assets of the C.P.R. to determine whether a substantial number of them should not be returned to the renewal system both from the beginning of C.P.R. history until 1942. They submit that once this study has been made and it has been decided that a certain group of assets are to be handled by depreciation accounting, then for those assets depreciation accounting should be on a straight-line basis.

8627 Manitoba does not object to C.P.R. employing "user" basis of depreciation there from the point of view of corporate operations and business management but does not think it would be used for determining level of freight rates.

8647 Thinks studies should be made to discover what maintenance expenditures are desirable and necessary in the interests of Canada as a whole and that these studies should not be confined to an historical analysis of what the railways have done in the past in following out the practice of providing large sums for maintenance in years of good revenue and reducing maintenance materially in years when revenue is smaller.

8649C to 8650 Witness forsees relatively infrequent changes in freight rates as a desirable situation.

Chairman enquires as to how many times freight rate structure has been reviewed by Board of Transport Commissioners since its inception.

General reviews were as follows:

1914 to 1916 - Western Rates Case.

1916 - Eastern Rates Case.

1917 - General increase of 15%

1925 - General freight rate investigation.

8653 Witness admits that B.T.C. in order to arrive at level of rates would have to come to some conclusion as to whether amount of revenue from such proposed new rates will be sufficient to cover operating expenses.

8659 Submission refers to methods available for financing of improvements:

(a) the sale of securities on the capital market.

(b) the pledging of specific assets as security for the money necessary to finance their acquisition.

(c) the application of accumulated surplus.

8661 Witness says investing public no longer considers the field of railway bonds and stocks as attractive an investment opportunity as it once did.

In addition the unsteady and sometimes erratic movements of security prices over the last few decades has had the effect of making it very dangerous to depend upon the ability of the railway company to secure a favourable market for its securities at the particular time when it may require funds for capital purposes.

8662 Suggests some arrangement should be provided whereby the Company and the users of the service would be protected against the high cost which would be incurred if relatively large sums should have to be raised at a time when the capital market is particularly unfavourable.

8664 In referring to financing of future improvement by using accumulated surplus witness points out that this makes it very difficult to maintain the important segregation between money contributed by the owners and money contributed by the users and that it is a very expensive method from the point of view of the users of railway services.

8672 Manitoba Government suggests that any improvement program by railways should be subject to careful scrutiny by the R.T.C.

8673 and 8674 With regard to other methods of financing Manitoba offers suggestion as follows:-

"If the Board finds that an improved standard of service is desirable and that it cannot be financed in one of the above ways, then a fund for financing improvements might be created by calling upon the users of the service to pay rates slightly higher than would be required to support the existing standard of service. The additional revenue collected in that way might then be set aside in an improvement fund. The result would be to make available to the railways a fund which could be used for capital purposes without the necessity of going outside the company and attempting to raise the money on the capital market. The Canadian railways will always have a substantial number of relatively small improvement projects to be undertaken year by year and it is our view that the provision of a fund for this purpose would not be inappropriate."

8675 Suggests that such a proposal might keep annual charges against freight rates to a level substantially lower than would be necessary if all the necessary capital had to be raised on the capital market.

A second suggestion put forward by Manitoba is that some type of direct capital assistance by the Dominion Government might have to be considered, such as Government guaranteed bonds or direct Government loans.

8686 Submission refers to two types of costs, constant and variable, and indicates different points of view as to relative sizes of these two items in railway operations.

8688 Suggests careful examination of the rates of taper which are now embodied in the different Canadian rate structures. If the costs of long haul traffic are such that the railways could implement a rate scale based upon a rate of taper which increases rates more gradually as distance increases, then it is the view of Manitoba that such a scale should be introduced both in the interests of the railways themselves and in the interests of a closer integration of the economies of the various regions of Canada.

8690 and 8691 In general terms the view of Manitoba is that the rate scale should be such that at each distance it covers the costs involved and that particular care should be taken to see that it does not provide unnecessarily high revenues to the railway from the long haul traffic which forms the backbone of Canadian railway traffic and of the Canadian economy as a whole.

8692 Manitoba is opposed to horizontal percentage increases for two reasons. 1.- Because the horizontal increase automatically aggravates regional discriminations which already exist. 2. Because even in the absence of regional differences a horizontal increase has the effect of charging against long haul traffic a very much greater increase than that which is charged against short haul traffic.

8693 Refers to previous general rate increases where increases authorized have generally been larger in the East than in the West and that this was done in order to reduce the discriminatory differential against the Prairie provinces.

8694 Points out that 21% increase aggravated the regional rate differential and that this Commission should recommend that in future uniform percentage increases should not be applied in this way.

8696 Suggests that since the terminal cost in short haul traffic is a larger proportion of the total it follows that the percentage increase on short haul traffic should be greater than on long haul traffic.

Refers to recent decisions of I.C.C. where practice has been to allow a certain percentage increase on short haul traffic but to specify a constant number of cents per ton on longer hauls so that the percentage increase on the long hauls is smaller.

8701 Submits that it should be a fundamental principle of the rate structure that rates charged for the same traffic over the same distances should be equal except where costs, competition, the needs of national development or other circumstances require some deviation from that principle.

8701 and 8702 On being questioned as to the exception referred to above "the needs of national development" -- witness states that what Manitoba had in mind were one or two specific points -- the question of rates to keep traffic to Canadian ports and to Canadian lines through the Maritimes, for example, or the need to get traffic started and to meet what one might call market competition

8717 Refers to competitive rates and the fact that there is a large accumulation of sub-standard competitive rates in Ontario and Quebec. Manitoba is concerned with the fact that higher rates have been charged in the West in an effort to recoup the railways for the revenue lost in areas where competitive rates are numerous.

8720 Refers to statement by Mr. C.A. Walker, Chairman of the Board of Directors of the C.P.R., where in speaking of competitive rates he said there were two criteria for determining the lowest competitive rate which could be justified.

1.- The rate must never be less than the out-of-pocket costs plus a margin above that.

2.- The rate should not be lower than is necessary to meet competition.

8728 Manitoba believes that a large number of competitive rates, agreed charges and other special rates are now in effect, which would not now be introduced if judged by these criteria.

Suggests that it is due to large number of these rates now in effect in Ontario and Quebec which explains the fact that level of rates in Eastern Canada is on the average lower than in Western Canada.

8739 Suggests that no special rates should be allowed to go into effect without first being scrutinized and approved by B.T.C.

8741 Suggests there is little likelihood that changes in rates will occur so frequently year after year in the future.

Also suggests that present procedure tends to magnify the administrative problem and that the railways issue a new supplement for each of their tariffs dealing with rates in the category covered. The result is that an increase of say 5% is reflected in the record of the number of tariffs filed by a figure which represents a supplement for each individual tariff concerned.

8741 and 8742 Recommends less complicated method of filing tariff changes be worked out so that public could more readily understand it.

8742 Refers to present Uniform Class Rates.

8743 In Western Canada the largest volume of class rate traffic moves on what are known as distributing class rates.

Compares distributing class rates to town tariffs which exist in Western Canada.

8744 Recommends that standard mileage class rates, distributing class rates and town tariffs should be consolidated into a single uniform basic class rate structure applicable to all parts of Canada and that any deviation from that uniform pattern should be treated as exceptions subject to the tests which have already been suggested.

Vol 46

8747 Refers to transcontinental rates and states that these have given Eastern Canada and the Vancouver area an unjustified advantage which is not available to manufacturers and distributors in Winnipeg.

8748 It is Manitoba's view that conditions have now changed to such an extent that the transcontinental rates should be substantially increased if not eliminated entirely.

8750 With reference to transcontinental rates witness feels it is proper for the railways to meet such competition provided that

"1. The competition really exists or the threat of competition is real and urgent;
2. The rates charged by the railways are not lower than would be necessary to meet the competition.

3. The rates charged by the railways are sufficient to meet their out-of-pocket costs."

8751 As long as there is real potential competition, witness thinks railways should recognize it.

Deals with agreed charges and refers to Transport Act 1938 whereby the Railway could make agreed charge contracts under which the railway would grant special low rates to any shipper who would agree to give the railways a specified part of his total shipments. This provision was designed to give the railways a weapon to protect themselves against truck transportation.

8752 Suggests that the minimum level for agreed charges should be determined by the same criteria that apply to competitive rates.

8753 With regard to fixed charges, witness suggests that in practice the result has been that only the larger Companies whose business is sufficient to justify them in paying the cost of a traffic specialist can keep themselves informed and adequately assess their position.

8754 Manitoba's suggestion is that the agreed charge provision should be changed materially and that it should be made into a competitive rate and handled in the same way as competitive rates.

Mr. O'Donnell, on behalf of the C.M.A., points out that agreed charges have to be published in the Canada Gazette in addition to which details as to the charge are sent to Boards of Trade and Chambers of Commerce, certain individuals and organizations and to other companies or organizations known to be engaged in the same line of business and whose business is located or operated in the same general territory in which the proposed agreed charge is to operate.

8755 Mr. O'Donnell also points out that the R.T.C. has to approve each agreed charge and that one of the essential things they look at is the revenue position of the carrier.

Refers to Part 5 of the Transport Act, Section 35, Sub-section 13, which states" On any application under this section, The Board shall have regard to all considerations which appear to it to be relevant and, in particular, to the effect which the making of the agreed charge or the fixing of a charge is likely to have, or has had, on -- (a) the net revenue of the carrier; and (b) the business of any shipper by whom or in whose interests objection is made to approval being given to an agreed charge, or application is made for approval to be withdrawn."

8759 Witness thinks some method should be worked out to eliminate the fact that agreed charges are only available to the bigger firms in practice, and to eliminate the fact that they stayed down when some other rates went up.

8760 Mr. Shepard, on behalf of the Province of Manitoba, endeavours to explain the Government's position as follows:- "I think the Manitoba position does come to what you suggest, Mr. Chairman, namely, that commodities now carried by agreed charges would become carried under competitive rates; and that, by logic, it would necessarily follow that agreed charges should be abolished."

8761 Refers to difference in mixing privileges in Western Canada and Eastern Canada and recommends that a uniform practice should be established in all parts of Canada.

8762 Witness says that if the present Eastern mixing rule where applied throughout Canada the competitive position of the larger wholesalers would not be materially altered whereas there would be some benefits to consumers and to smaller distributors and manufacturers.

8764 Examination by Province of Manitoba continued.
Witness Mr. R. D. Moffat

Manitoba urges Commission to recommend that immediate and effective action should be taken to eliminate whatever remains of the differential between the rate levels in Eastern and Western Canada.

8765 Urges Commission to recommend that B.T.C. be clothed with the added powers necessary to eliminate any possibility of a regional rate differential appearing again in the future except under the most pressing circumstances.

8784 Manitoba does not urge that competitive rates be abolished entirely. Claims they should be no lower than is necessary for the railway to retain the traffic - no lower than sufficient to return their out-of-pocket expenses.

8786 Compares levels of rates in east and west and suggests that where bands of any particularly commodity for any particular distance are concerned, the competitive situation is so nearly the same as to provide little justification for rates disparities.

8787 Referring to regional profitability in the past, witness suggests that from their studies Western Canada has in every single year provided considerably more net revenue to the C.P.R. than Eastern Canada.

8792 States that the people of Western Canada are prepared to pay a level of freight rates sufficiently high to cover the cost of railway service in the west. They are not prepared to pay a level of freight rates which provides a form of subsidy to the east in addition.

Suggests that this Commission should recommend that regular studies should be undertaken to keep the Board fully informed as to railway profits in east of the major railway of Canada and that the B.T.C. should never call upon one region to pay freight rates to be used to subsidize lower rates in another area.

8796 Suggests division of Canada into two regions for rate purposes, Eastern and Western.

Manitoba takes the position that if the railways' revenue requirements are such that they require further rate increases in the future, these increases should not be applied in any region in which satisfactory profits are already being earned.

8797 Manitoba thinks that under present conditions it is quite possible for the railways to raise their rates in Eastern Canada to a level which will yield sufficient revenue to pay for the services provided there. The fear of Manitoba is that in the future this may not be possible, and the suggestion is that a subsidy to the eastern operations should be considered at that time in preference to an effort to raise western rates to provide the additional funds.

6799 Deals with Administrative Organization for Board Purposes.

6800 Submits that B.T.C. should equip itself with a sufficient staff of experts in the various fields so that it can have access to highly qualified technical advice from persons who are not connected with the railways or any other interested party. Thinks this can be accomplished by a relatively small staff of highly qualified individuals and a practice of seeking outside independent professional advice would, in the view of Manitoba, be preferable to an attempt to build up a large permanent staff.

6801-02 Refers to simplification of Rates and Tariffs, and advocates that steps be taken to achieve greater simplification. Refers to difficulties of small shipper who is not able to build up a specialist staff, and therefore not able to take advantage to the same extent of possible lower rates by virtue of familiarity with and detailed knowledge of the freight rates structure.

6806 The object of Manitoba in recommending simplification is the elimination of the time and expense which is involved for shippers in their efforts to calculate the rates which are applicable to the shipments which they have in mind, to eliminate the competitive advantage which the larger shippers with freight traffic experts have over the smaller shippers, and to make possible the securing of definite figures as to the rates applicable for various commodities to the end that the policy decisions which must be made by regulatory bodies can be based on definite factual information.

6807 Recommends that new class rates be established at levels lower than current 10th Class.

6808 Suggests that rate structure can be reduced to two types of rates, namely class rates and "other rates".

6811 Refers to necessity and desirability of getting the class rates straightened out; also stresses that it is the fear of going back to the condition which has existed before which Manitoba is particularly concerned about.

6816 States that it is implicit in the suggestion that a number of additional new classes should be established, that there should be a complete review of the existing freight classifications for the purposes of establishing what commodities should fall in the various new classes. Consequently it is recommended that a thorough review of the classification should be undertaken in the light of present conditions.

8821 Recommends that provisions should be made for public hearings on a more frequent and less formal basis. Feels that requirements should be made whereby B.T.C. can delegate its public hearing functions on minor matters, either to one member of the Board or to a senior member of its staff, with a provision that any decision reached on such a basis would be subject to appeal to the full board. Witness points out that they have in mind the creation of a position somewhat similar to that of the "examiners" in the organization of I.C.C.

8823 Deals with the general heading "Prescribed Standard accounts".

8825 Cites two criticisms of present system of accounts:

1. Neither the public nor the Board has access to sufficient detailed information to be able to interpret properly, those accounts which are made available.

2. Certain matters which, in our view, are vital to national transportation policy, cannot be dealt with because the accounts are so constructed that the relevant information is not available.

8826A Manitoba does not recommend that the system of account as prescribed by I.C.C. should be followed exactly and in detail.

8828 Thinks that the first requirement of a system of prescribed accounts is that there should be a clear definition of the activities which are to be covered by it.

Manitoba's view is that the second major objective which should guide the B.T.C. in setting up a prescribed system of accounts should be that of drawing clear distinctions between -

(a) capital supplied by the owners of the corporation;

(b) capital supplied by the users of its services;

(c) capital from other sources.

8830 Deals with financial and statistical reports, and points out that it is the view of Manitoba that the present published reports should be reviewed with the objective of making available to the public of Canada the detailed information which is necessary to a full disclosure of all facts relevant to the determination of the level of freight rates to be charged in Canada.

8831-32 Sets out the views of Manitoba as to what such annual reports by the railways to the B.T.C. should contain or disclose:

1. Reveal as fully as possible, the results of railway operations during the period under the standard accounting system prescribed by primary accounts;
2. Reveal changes in the different asset accounts during the period, and in the related reserve accounts;
3. Reveal operating revenues, operating expenses and investment, in the major regions of Canada and the formulas which have been used to allocate those items which are not directly attributable to the service in any one region;
4. Include a Balance Sheet segregating rail and non-rail assets and their related reserve accounts;
5. Include the data necessary to a more detailed study of traffic statistics particularly with respect to the volume of traffic moving under the various types of rates.
6. Include the data necessary to a study of the relative level of rates in the major areas of Canada;
7. Include an annual inventory of assets in service, classified in such a manner as to reveal the number of years the various assets have been in service;
8. Include a statement showing wherever possible, statistics of physical units such as rail placed, ties placed, man-hours of work performed, etc., in total and segregated between that chargeable to maintenance and that chargeable to capital.

1614 Witness admits that Manitoba looks upon the two transcontinental railway systems as national utilities.

1626 Manitoba is not suggesting that B.C. be set up as a separate region.

1641 Refers to statement by Premier Campbell as follows:

"It is our submission that it should be a fundamental principle of the Canadian railway freight rate structure that freight rates charged for the same traffic over the same distance should be equal , except where costs, competition, the needs of national development or other circumstances require some deviation from that principle."

Witness suggests that the basis for the establishment of equal rates should be the present level of town tariffs in Eastern Canada with some adjustment as to the rates of the taper, but the general level to be the town tariff level.

1642 Manitoba does not advocate that all rates should be equal where there is no difference in the nature of the traffic, where the conditions are absolutely similar and where there is no competition or difference of cost.

1647 Witness thinks that variable part of railway expenses in Canada has, during the past ten or fifteen years, become increasingly larger.

Witness admits that as the use of the railway becomes more intensified, the amount of the variable costs will increase - not only the amount of the variable cost but the percentage of the variable cost forming the total will increase.

8051-52-53 Refers to details of highway trucking in Manitoba in 1946; P.S.V.s, 709; T vehicles (for hire vehicle confined to municipalities but permitted to go within fifteen miles of the municipality), 13,568; C.T. vehicles (farm trucks), 16,571; public service vehicles operating in international and interprovincial traffic, 73, (this figure of 73 includes buses);

8056 Manitoba is questioned by Mr. Evans as to whether Manitoba would favour interference by the executive arm of the Government if that should result in a tendency to the socialization of the privately-owned railway. The witness side-steps answering this.

8058 Gives his personal opinion as being in favour of private enterprise but makes clear that he has not received any instructions from his Government on this.

Thinks C.P.R. should be allowed to earn sufficient to maintain itself as a private enterprise.

8060 It is suggested to the witness that Government guarantees and loans for a large capital programme might constitute a threat to the C.P.R. remaining a private enterprise.

Witness points out that if the public is unable to pay a level of rates sufficient to permit a capital expansion programme from the sale of common stock or from the sale of bonds, or is unwilling to pay such a level of rates, that the C.P.R. might have to resort to Government guaranteed loans.

8070 It is suggested to the witness that if competition is a regulator does it not follow that where competition is increased, the need for regulation has decreased, and the witness admits that the answer to this question is in the affirmative where competition is increased.

8071 Witness admits that competition between railways in the United States is greater than in Canada. It is pointed out to the witness that despite the increased competition the rates in the United States are higher than they are in Canada. The witness points out that the costs of operation are also higher in the United States than in Canada.

8076 Manitoba's suggestion is that the Government should have the right to direct the B.T.C. to take action in directing the railways to bring in a certain kind of rates or to equalize the rate or to equalize the class rate, but normally the ordinary routine procedure would be for the B.T.C. to do this.

8877 Manitoba thinks B.T.C. should be brought back to a point where it would have some of the characteristics of a Government department and less of the characteristics of an independent Board.

Witness admits that Manitoba feels B.T.C. should be brought back, undoing to some extent the changes made in 1903, but does not feel that it would mean bringing it back to the same extent as it was before.

Witness is asked how it would be possible to protect the B.T.C. from the possibility of increased political pressure in the circumstances. Witness admits the problem but suggests that the question is which is the more serious problem, to have a board that is irresponsible in a sense, not responsible to anyone on the one hand, or to have political interference on the other.

8880 Thinks the Government should continue to appoint the members of the B.T.C.

8894 Witness admits that the shipping public has not made any serious outcry about the freight rates, and suggests this is because the shipping public do not pay the freight rates or very seldom does, so that the level of the freight rate does not affect them particularly. Witness qualifies this answer by pointing out that there would be an outcry from the farmers of western Canada if there was any increase in rates, and admits that in the case of the western farmers that they do pay the freight rates on their products.

8896 Mr. Evans refers to the case of Toronto vs C.N. and C.P. 63 Canadian Railway and Transport Cases, page 270.

"It is true the Board is not bound by the general principle it has established. It is quite free to review it at any time if circumstances are such that it would make it appear fair and proper so to do.
I do not think that in the case before us there has been shown to the Board any special set of circumstances or any factor the Board has overlooked or that has not hitherto emerged requiring the Board to depart from its former ruling."

8911 Manitoba feels that the recommendation which they think this Commission should make should be so framed that it would not eliminate the possibility of government granting a subsidy at some time, but not a recommendation for a subsidy.

8924 On the suggestions which Manitoba has made, it is apparent that the railways would run some risk in making regular improvements if the Board were to be free to reject those improvements during a rate case. The danger of this proposal would be for x major improvements the railways would be put in a position where they would have to persuade the B.T.C. in advance.

8926-29 It is pointed out to the witness that one increased cost in operations has been as a result of recent wage demands and wage increases. The question is raised as to whether the Province of Manitoba ever ask to be heard on the occasion of any wage negotiations and the witness admits that Manitoba has not made any such request. The inconsistency of the public objecting to increase in freight rates when they have not previously objected to demands for wage increases by railway employees is pointed out to the witness. The witness admits that logically the time for public opinion to express itself through provincial governments and others is when the wage cases are being heard.

Vol 47

8937 Reference is made to exhibit 116 in the 21% Case, which sets out the categories of employees, both in terms of remuneration in total for each group and also in terms of the number in each group for the years 1939 to 1945.

8946 Witness is asked if he would agree that the railways should be able to save money by going out and abandoning some of their lands, such as the thin traffic lines, in the case where the B.T.C. might have told them that they could not have the amount of money that was needed to maintain the standard of service, and the witness agrees that they might do this.

8947 Witness believes that Manitoba has probably opposed some applications for abandonment in the past.

8948-49 Deals with C.N.-C.P. Act. Mr. Evans puts the following question to the witness:

"Now a very short series of questions. Let us suppose that it should be found that the Canadian Pacific was at fault in not carrying out a co-operative measure, and that the fault had been established in this inquiry, would you penalize the Canadian National in its rates because of the fault of the Canadian Pacific to co-operate?

"No, I do not think so."

"Well, reserve it; if it was the Canadian National which was at fault, would you penalize the Canadian Pacific?"

"I do not think so."

8951 Mr. Evans points out that on some occasions co-operative measures have reached the point of agreement, and in some instances the authority of the B.T.C. is requested for the right to abandon, and objection is then raised by interested persons and a rejection by the B.T.C. of the right to abandon, in view of that opposition.

8948-58 Deals with various questions in connection with C.P.-C.N. co-operation, under C.N.-C.P. Act.

8958 Witness is questioned as to whether Manitoba feels the B.T.C. should negotiate wage increases, and he answers that they are not making any proposals on this point.

8922 If a wage increase is negotiated by the railways and the increase is paid and it becomes subject of an application for an increase in freight rates, Manitoba believes that someone should have the right to say, "the shipper shall not pay for that wage increase". It would have to be decided on the facts of the situation at the time, however. It might come out in the form of a rate increase; it might come out in the form of a directive which would set a certain level of rates and tell the railway companies to operate on them as best they can, either by improving efficiency or by taking steps to reduce labour costs in relation to the total volume of traffic.

8960 Witness states that if someone does not have the right to look over the situation, then the only alternative that is left is that of demanding that rates should go up to cover wages which certainly no one would agree to.

9006 Refers to the evidence of Mr. Kent in the 20% case where he said that he thought depreciation accounting was proper if you could get satisfactory records of how long the equipment was likely to last, as to what the proper rate should be, and so on. Witness suggests that this evidence is no different from the position which Manitoba is taking before this Commission.

9012 Witness does not think it is wrong for management to curtail maintenance in poor years and to increase its maintenance in high -volume years.

9014-15 Reference to the use of equipment trust certificates for financing. It is pointed out that these are serial maturities and the extent to which a company can use them depends upon the number that it has to meet serially each year, so that if you had ten serial payments and you came to the time when your serial payments are equal to your new financing, you stop using them. This puts a very definite limit on the ability of a railway company to finance through this means.

9017 Refers to so-called "improvement fund" as suggested by the Province of Manitoba. Witness states:-

"That suggestions was thrown in there, not with the intention that we would advocate it as such, but rather to indicate the importance which we think properly belongs to this question of financing the railway, and to recognize the fact that that is one of the root problems of the whole thing, and to indicate that we think someone should try to figure out something somewhat out of the orthodox if necessary in order to try to do something about it. It is not suggested that that particular thing should be done, but to indicate that there was need for some elbow room somewhere, and that this is one of the possibilities to be considered.

1012 With reference to improvement fund, it is suggested to the witness that there might be certain difficulties in obtaining contributions to this fund in depression times, and that possibly rates would have to be raised to provide for this fund.

Another difficulty or disadvantage of the fund is the question of determining whom it would belong to.

1015 It is pointed out to the witness that the grain rate happens to be about 24.4% of the eighth class standard mileage scale.

1030 Refers to the fear on the part of Manitoba that competitive rates which have now been temporarily raised may again come into prominence in Eastern Canada to a greater extent than in Western Canada.

The witness admits that this is the general problem. He goes on to point out, however, that there are a few specific points where Manitoba is asking that something should be done specifically to bring about equalization but the major problem is the fear that the disparity will be restored or come back because of the danger that competitive rates will again come into greater prominence in the east on a lower level.

1040 Manitoba thinks that the west should not have any increase in rates and that the need for increased rates in the east should be taken care of by subsidy if necessary. He points out that in a sense it always has been taken care of by a subsidy in the form of rates in the west higher than were necessary in the west, which created additional revenue, which was within the C.P.R.'s use to subsidize the east. Manitoba is now asking that that sort of subsidy should be stopped and some sort of subsidy used in its place.

1048 Witness agrees that a classification of accounts for the railways of Canada should be the product of conference with railway accounting officers and the B.T.C. and other interested parties.

1052 Submission by International Brotherhood of Teamsters . Witness Mr. A. F. MacArthur.

1060 They believe that one out of every ten gainfully employed persons in Canada is dependent upon automotive transportation for a livelihood.

1061 Claims it has been the experience of the trucking industry that those companies engaged in the movement of L.C.L. and other freight, between the wider points are in a much more stable position financially than the smaller operator, thereby being in a sounder financial position and able to give more in wages and in working conditions.

2062 They believe that there is ample scope within the jurisdiction of each province for regulatory measures, be it that of rates, highway restrictions, financial responsibilities, conditions of labour or other limitations. They subscribe to the theory of such regulations by the respective provinces and the necessary policing of same for the purposes of protecting, first of all, the consumer, the manufacturer, and the truck operator from unfair competition within the industry.

2067 Stresses the importance of service in the transportation industry.

2068 Does not think there is any necessity for federal control of any nature, particularly when highways come within provincial jurisdiction, and while for the present there are no transprovincial or transcontinental federal-controlled highways.

Stresses importance of trucking industry in wartime economy and for purposes of national defence.

2069 In 1948 there were approximately 20,000 members throughout the Dominion.

2070 Witness suggests that anything under 100 miles is a short haul, and anything over that is a long haul from the point of view of automotive transport.

2076 Favours provincial regulation of trucking industry as compared with federal regulation.

2077 Witness claims that to the best of his knowledge no for-hire trucking company has received any direct or indirect subsidy, grant of land, cash loan and so on, nor has it been underwritten by any government, either of a federal or provincial nature.

2364 Witness believes there should be a requirement for a public necessity and convenience before licenses are granted to truckers.

2393 Witness is questioned as to why he stresses importance of provincial regulation, particularly when interprovincial matters are concerned, and gives his answer as follows:

"Well, we believe as it states in the brief, that the portion of the trucking business that is of an interprovincial nature is very, very small; and secondly, as we point out also in the brief, we believe, rightly or wrongly, that with the Government being interested in railroads, there could be bias in that regard."

2414 Does not see any objection to railways engaging in highway transport providing that it did not develop into a monopoly of the industry.

Vol 48

9099 Submission by Railway Association of Canada.
Witness Mr. J. A. Brass and Mr. F. A. Gaffney

Mr. Brass states that the Railway Association of Canada is the agency which negotiates with the employees through their unions.

9100 Lists members of and associated members of Railway Association of Canada.

9113 Mr. Gaffney points out that there are two limits defining the price at which transportation can be sold. On the one hand, unless subsidies are present, the price cannot be below the cost of providing the service. On the other hand, the price cannot be above the value of the service to the user.

9119 Points out increasing degree of use of motor and air transportation.

9120 As an agency of freight transport the motor vehicle has made serious inroads into railway revenues. Submits that from a cost of service point of view the truck has a fairly defined but limited scope, but ignorance or disregard of costs has extended the use of these vehicles far beyond their economic sphere.

9120A Over-the-road vehicles now in operation range in load capacity from three to thirteen tons. The length of the run varies, the larger type tending to operate distances up to approximately 500 miles.

9121 Gives figures for 1948 of ton miles operated by Canadian railways compared with estimated ton miles of over-the-road transport as follows:

By steam railways	91.75%
By over-the-road trucks	8.25%

Suggests that unfortunately for the railways the classes of traffic vulnerable to highway competition are those in the higher rate brackets paying from 3¢ to 10¢ a ton mile. Investigations in the United States have indicated that truck operating costs are between 3¢ and 5¢ a ton mile, and that trucks will not generally attempt to handle traffic paying less than these rates.

9122 Gives figures for 1948 comparing freight revenues of Canadian railways with the estimated revenue of over-the-road trucks. Canadian railways, 76.6%; Over-the-road trucks, 23.3%.

9124 Gives figures for various types of trucks showing economic radius compared with railway.

9124A Gives figures for 1948 showing division of truck transportation between that performed by vehicles operated in their economic sphere and those operating beyond their economic range. By trucks operating in their economic range, 49.7%; By trucks operating beyond their economic range, 50.3%.

2123 Submission admits that in the short haul field the truck is superior in cost and service. In the long haul field, however, both cost and service favor the railway, yet the railway annually loses a large amount of traffic to the truck in this latter field.

2125 The average cost of transporting freight by rail in Canada in 1948 was approximately 1.2¢ per ton mile. Under the principle of allocating transportation cost on what the traffic can afford to pay, one commodity may pay as much as 10¢ per ton mile, while another commodity may yield as low as 1¢ per ton mile.

2128 Tendency for truckers to disregard the low rate traffic since the minimum trucking costs may be 3¢ a ton mile but to attack the traffics paying the railways more than this amount.

2133 Stresses importance of remembering that higher rates are those which enable railways to make rates low enough to allow marginal commodities to move to market, and it is these higher rate traffics which the truckers are going after.

2136 Submits that an essential element of transportation policy should be uniform control of all land transportation, which in turn should embrace uniform regulation and control of highway transport, a determination of the costs of the highway system chargeable to users and an adequate and proper distribution of such costs amongst the various classes of motor vehicles.

2137 Suggests there are three basic factors for the regulation of highway transport; safety, service, and protection of the right-of-way against improper use.

2138 Refers to Bill introduced in 1937 by Minister of Transport which proposed to deal with interprovincial and international highway transportation. Due to severe objections and criticisms this part of the Bill was withdrawn.

2159-60 Submits that the type of traffic most in need of regulation from the point of view of national interest is long-haul traffic, which is to a large extent interprovincial and international, and that the time to establish adequate machinery for regulation is during the infancy of the problem.

Submits that no complete and adequate national transportation policy can be established which does not include uniform control of highway operation rates, schedules, conditions of service and adequate payment for the use of highways, in the national rather than local or provincial interest.

2161 Recommends that action be taken to bring about discussions between the provinces and the Dominion, with a view to establishing a national transportation policy which will secure the optimum advantage from each type of transport. This would involve an agreement that the provinces enact measures uniform in principle to that end.

Submits that recommendations should be made to establish a Dominion administrative tribunal with power to license and regulate interprovincial and international highway transport.

Submits an appeal should lie to a tribunal from decisions of both the Provincial and Dominion regulatory bodies.

2162-78 Deals with over-all cost of the highway system, allocation of the cost of the highway system, and allocation of direct users proportion between various types of users.

2178 Recommends that an exhaustive study of highway costs and their allocation among motor vehicles be undertaken to determine the fair and reasonable proportion that should be borne by the various classes of such highway users.

2187 Regarding proposed appeal tribunal, witness points out that they had in mind a tribunal composed of members of each of the provinces and of the Dominion, and that there would be an appeal to this body from something done with regard to interprovincial transport.

2212 Reference is made to statement in submission that railway transport must not be subjected to unfair competition from other forms of transport. Witness explains that by unfair competition they mean unregulated competition on the ground that railways are regulated and other transportation is not, and also that the highway competitor does not pay a fair share of the highway cost.

2243 Under the suggestion contained in this submission the private trucker would be restricted in his operations to the same sphere as the for-hire truck.

2268 Witness points out that in the long haul field the truck still takes traffic from the railway but he takes it because the railway rate is higher, not because the railway cost is higher.

2277 With regard to recommendation that an exhaustive study of highway costs be made, it is the submission of the Railway Association of Canada that such a study be made by the provinces and not by the Dominion.

2278 Witness suggests that if the private truck and the truck for-hire were both put within what is referred to as their proper sphere, the result would be about $100,000,000 per annum more to the railways.

Vol 49

2351 Witness is in favour of having one group of shippers subsidize another group of shippers rather than having direct subsidy from the government.

2355 Witness states that the cost per ton mile of moving the 50% of the traffic which travels at a rate below one cent per ton mile varies from half a cent to one cent per ton mile and says that they have made various traffic studies supporting this statement.

9388 Reference is made to a study which has been completed with regard to co-ordination and co-operation with services, trucks and railways, the movement of freight and passengers for P.E.I. Such a study contemplates the elimination of certain unprofitable and uneconomical rail movements or freight movements and the substitution for them of certain movements of freight by truck.

9400 Refers to situation in the United States where railway transportation and highway transportation, interstate, is under the jurisdiction of the I.C.C., but the control of the transport itself within the state rests with each of the forty-eight states.

9401-02 Contains a summary of the recommendations made by the Railway Association of Canada in their submission.

9403 Refers to the cost of freight service in Canada compared to the United States, India, South Africa, Italy, Sweden, Denmark, Germany and Great Britain, all of which are higher than the rate here in Canada.

9403 Submission of Province of Manitoba resumed. Witness Mr. R. E. Moffat. Cross-examination continued

---

9415 Witness states that an instance where the B.T.C. by failure to act on its own initiative has brought about some undesirable condition of things is the failure to do anything to equalize class rates between the east and west.

9424 Submits the B.T.C. should serve as an independent check upon railway developments, without waiting for the railways or anyone else to draw to its attention matters which seem prejudicial to some group or region.

9425 Witness is asked whether the Manitoba Government is suggesting that the Government of Canada should divest itself of policy to the B.T.C., and his answer is as follows:

"Well, no, the plan of organization which is envisaged in this submission is different from the present plan only in this respect, I think, that with the present plan you have the statute saying that rates shall be reasonable and just and the Board is then left to interpret that and to carry through whatever determinations it feels necessary, subject to the right of the Cabinet to vary or rescind its decisions. Now, the only change that we are suggesting is that where the statute is sufficiently broad, as, for example, in the case of reasonable and just, where the stature is so broad that there are several possible lines of policy all consistent with the Act, the change we are suggesting is that in those kind of cases the Cabinet by Order in Council should be able to direct the line of the policy. That is the only change we are suggesting from the present situation."

"You are not thinking of encroaching on the power or the position of Parliament or of the Government in relation to policy?"

"No."

9452 Witness stated that Anultova is not suggesting that the Soviet Government would interfere with the I.T.C. except on major issues.

Vol 50

9473 Reference is made to Rowell Sirois Commission, Page 193, where they refer to profitability or otherwise of grain rates and point out that this question remains undecided although they also point out that an examination of the conditions and the definite finding would be a contribution of value.

9501 Counsel for both Railways point out that all competitive rates have been increased.

9509 Witness indicates that they fear that the Railways may be trying to re-introduce the old state of affairs by raising non-competitive rates by an amount greater than the increase in the competitive rates and suggests that the 20% application was framed with that in mind.

9510 Suggests that the railway is not alert to its own interests and is not endeavouring to obtain all the revenue that it could all the time.

9520 Refers to transcontinental rates and suggests that they are lower than necessary. Mr. O'Donnell on behalf of the C.N.R. queries the reason for suggesting the transcontinental rates should be raised to the level of the American railway rates, and not merely to the point that would allow the railways to check the competition they are endeavouring to meet, which is the ship competition through the Panama Canal. The witness advises that if there is water competition then it is water competition that should be taken into account but if there is only one ship then the competition presumably is from the American railways.

9521 and 9522 Refers to American rates on the movement of grain and Mr. O'Donnell queries whether the Canadian rates should be raised to meet those of the American railways for carrying grain. The witness suggests there is no competition with the American grain rates.

9524 Refers to agreed charges. Mr. Covert points out that it would be possible to have an agreement which would provide that in an agreed charge the rates would go up by percentage increases the same as other rates. An example of this was the McColl-Frontenac agreed charge which was referred to during the regional hearings in Winnipeg.

9525 An example of such an agreement is recited, namely between C.N.R. and Shell Oil Company.

Witness points out that in the case of agreed charges they have been subject to the same increases which apply to the standard rates and not to the rates which apply to other competitive rates. In the view of Manitoba Government the agreed charges are really competitive rates and special rates and should be handled like competitive rates rather than like a standard rate.

9527 Agreed charges require approval of B.T.C. and when transportation is by rail from or to a competitive point

B.T.C. will not approve it unless the two carriers by rail join in making the agreed charge.

Agreed charges where there are competing railways are negotiated by the Canadian Freight Association.

9529 Reference is made to a fixed charge as provided for in sub-section 7 of section 35 of the Transport Act.

9530 Manitoba wants agreed charges made available to all people and suggests that if they were available they could be handled in the same way as competitive rates and in this respect the agreed charges would be abolished.

9531 Agreed charges were enacted for the benefit of the railways and to help the railways to meet competition with trucks.

9533 Manitoba would like to equalize anything that affects an area, except grain rates.

9538 Refers to the movement of Western grain and the profitability aspect of same.

Witness states that as far as Western Canada is concerned, so long as the West pays its way and in return earns what is judged to be a reasonable profit and is not asked to pay any more than what governs the lines in other regions they are satisfied.

9539 Refers to statement in Submission "There is no good reason why freight payers in one region should be penalized by higher rates in order that unfavourable railway operations elsewhere be offset".

9541 Witness on being cross examined as to the use of railways as a national instrument advises that they do not think freight rates should be used for the purpose of overcoming uneconomical or geographical disadvantages peculiar to an industry or a depressed region.

9543 With regard to the powers of the B.T.C. in setting standards of service in different territories, the witness points out that the Manitoba Government is not suggesting that the B.T.C. should try to bring about an equal standard of transportation service in different provinces or in different parts of the country but the complaint is that the B.T.C. should have what it always has, the power to set minimum safety tests and that they should not automatically accept the standard that is prepared for them by the railways and automatically carry out th calculation to give out that rate.

9544 Suggests B.T.C. should be strengthened but in the case of a major problem thinks they should employ outside consultants rather than build up a large staff on a permanent basis.

9553 Refers to C.N.-C.P. Act and states the view of the Manitoba Government with respect to amending the Act as follows:-

"The effect of this legislation would be that in future rate cases the Board of Transport Commissioners will be able to take into account any evidence which is available with respect to co-operation between the two railway systems and the possible savings which might result therefrom."

9554 Witness refers to labour negotiations and the part which the B.T.C. should play and says as follows:-

"I did not intend to suggest that the Provincial governments or that any outsiders should take part in actual negotiations, but it does seem reasonable that if they have any views to express that would be relevant they should be able to express them. I had no intention of suggesting that the provinces should be represented when the railways are talking to the unions or anything of that sort."

9556 Witness explains that he thinks telegraphs are an integral part of railway activities because they are operated on railway property and used largely by the railways in connection with the handling of their own traffic --- any attempt to exclude telegraphs might result in a series of "artificial" accounting arbitraries to get the monthly calculations.

9557 Manitoba does not advocate that all enterprises such as a motor bus and truck company bought out of railway earnings over a period of years should be included as part of the railway activities for accounting purposes.

9560 Manitoba is not asking to have anything put in the Statute with regard to methods of depreciation. Manitoba is asking that the Commission to recommend that under present conditions the depreciation should be on a straight line basis.

9561 Witness thinks that Government should have the right to instruct the B.T.C. on the method of depreciation to be used from time to time.

9564 Manitoba does not think that the Railway Act should restrict the policy to be adopted with respect to horizontal increases but rather that this is an instance where it might be desirable to have a directive from the Government to the B.T.C. upon occasion.

Chairman points out that with this many additional responsibilities there is some question as to whether the Government would get the time and ability to discharge these additional functions.

9565 Chairman suggests the Railway Act would come to be administered in certain respects by the Government and not by the Board if the recommendations of Manitoba were accepted. He also points out that on the face of it this would appear to be a retroactive step since many of the reasons for setting up the Board of Railway Commissioners was to get away from the Government exercising certain functions which Manitoba is now advocating should be restored to the Government.

9570 Witness says that B.T.C. is not active enough on its own initiative, particularly with regard to the elimination of discriminations.

9571 Manitoba asks this Commission to recommend to B.T.C. that they maintain a constant review of the discriminatory elements with a flew to their elimination.

9572 Does not think the matter should be left to complaints to the extent it has been in the past but rather that there should be more initiative taken on behalf of the B.T.C. without waiting for a complaint.

Refers to sub-standard competitive rates and suggests that even if they are compensatory they might still be sub-standard and that they should still be raised if they can be raised and the railways still keep the traffic.

9573 and 9574 With respect to agreed charges Manitoba thinks that they should be repealed. If they are not repealed they think there should be three other requirements:- 1. That they are compensatory; 2. That they should bear their share of increases and 3. That there should be some provision to make them available more generally to other firms.

9575 In cross examination it is pointed out to witness that making an agreed charge available to all shippers who can use it without having a signed agreement with those other shippers would mean that the man who makes the contract is worse off than the man who does not.

9578 Manitoba thinks there should be two types of rates, namely class rates and other rates. (Other rates meaning competitive and commodity rates).

9581 Manitoba advocates that this Commission should recommend that standard mileage class rates, distributing class rates and town tariffs should be consolidated into a single uniform basic class structure applicable to all parts of Canada and that any deviation from that uniform pattern should be treated as exceptions. With regard to the assumed mileage between Winnipeg and Fort William, witness points out that it is the contention of the Manitoba Government that the total of the through rate from Toronto and Montreal into Winnipeg is affected by water competition through a substantial length of this haul and that the assumed mileage may be fully justified in those terms, and that the rates should be handled as a competitive rate.

9582 Suggests that assumed mileage as it is now operating is, so far as Winnipeg is concerned, exactly equivalent within a very small fraction to a distributing rate.

9583 Manitoba does not advocate the elimination of the assumed mileage.

9590 Witness says that Manitoba does not advocate ten separate local representatives to the B.T.C. but rather that one man might cover a larger area.

9606 Submission of the Canadian Automotive Transportation Association.

Witness - Mr. John Magee.

C.A.T.A. is a federation of 6 trucking associations with total provincial memberships of approximately 5,000 trucking firms. The 6 affiliated Provincial Associations are Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.

9607 Estimates that approximately 14,000 communities are not provided with direct railway service, of which approximately 50% are further than 5 miles from their nearest railway station.

Refers to the expanding use of the truck as an instrument of distribution in the realm of agricultural marketing.

9609 Refers specifically to increased use of truck transportation for marketing of livestock.

The personalized services of the commercial motor vehicle carrier have materially assisted the producer in marketing his animals to best advantage. Refers to the fact that speed is of the essence in timing deliveries of livestock to coincide with favourable market conditions.

9611 and 9612B Gives figures showing livestock deliveries to yards and to packing plants indicating the percentage hauled by truck as compared with railway.

9613 Stresses importance of trucking industry in war economy and points out that there is available for military use in Canada a 500,000 mile highway net work -- approximately 10 times greater in extent than the existing rail mileage.

In 1943 the trucking industry moved 11 million tons of freight. (According to D.B.S.).

9614 In 1943 both the C.N.R. and the C.P.R. were taxed to the limit according to a speech made by the Minister of Transport.

9620 Refers to importance of trucking industry in peacetime economy and points out that transportation shortage, a danger allayed in wartime by the capacity of highway transport, has actually occurred in peacetime ---reference is to 1947 when Canadian railroads faced the worst car shortage for many years and the Minister of Transport, in January of 1947, made a speech in which he pointed out that the railways were not yet in a position to meet the demand.

In 1947 according to D.B.S. the trucking industry moved over 13,600,000 tons of freight.

The submission contends therefore that Canada's transportation experience has proved conclusively that for hire truck service is vitally required in the national interest. "It cannot be turned on and off like a tap. It must be there, always ready to serve the needs of the nation either in peace or war. If we are to have that service of motor transport, the development of industry must be promoted by governments and neither stifled by restriction nor stultified by excessive taxation."

9622 Refers to increase in number of vehicles registered as follows:-

1922 - 37,610

1948 - 487,000.

C.A.T.A. estimates that approximately 44,000 of the 487,000 vehicles are engaged in the movement of goods over the road for compensation -- referred to by the trucking industry as "for hire" transportation.

9623 Witness points out that rising costs of operation since 1939 and consequent rate increases have not stayed the growth of truck tonnage and gross revenues. C.A.T.A. emphasizes that shippers, even when faced with premium truck rates, continue to patronize truck transportation because of service not offered by competitive transportation. Refers to examples where this has happened, namely October, 1947.

9625 and 9626 Contain an outline of replies received to a questionnaire sent out by the Committee set up under the Association of American Railroads, giving primary reasons why shippers normally used trucks.

9627 Submission contends that despite increasing taxation the truck is constantly increasing its sphere of usefulness.

9629 C.A.T.A. submits that any effort to hault development of truck transportation would be detrimental to the public interest.

9630 Suggests that restriction of "for hire" truck transportation will render more serious, rather than improve the railways' competitive position. Points out that the most serious potential threat facing the transport media is the competition of the customer himself and refers to ability of the larger shippers to own and operate their own transportation equipment, which fact will render abortive any attempt to protect the railways from highway competition.

Submits that restriction of private highway trucking services to support the railway economy will meet very strong opposition from the section of the public directly affected, e.g., farmers and manufacturers, and would undoubtedly lack support from the public generally.

9631 Also points out that the position of the small shipper must be considered since he cannot afford to purchase highway transport equipment. If his larger competitor goes into the ownership of his own fleet of trucks and the small shipper finds "for hire" trucks withdrawn with the alternative compulsion to use railway facilities he will also find that the larger competitive business, shipping in its own fleet of trucks, is automatically placed in a preferred position.

C.A.T.A. submits that each province has, by its system of licensing, assessed each truck being operated according to its size and carrying capacity, the amount considered to be a fair annual charge for that truck's operation on the highways.

9632 and 9633 With regard to international and interprovincial highway traffic, C.A.T.A. submits that there is some doubt as to whether the Dominion Parliament has legislative jurisdiction to impose such regulations. It is the view of that Association that the Constitution of Canada vests the authority for such regulations in the various Provinces and in support of this view refers to the opinion expressed in the Duff Commission of 1931-1932, which stated that "under the Canadian Constitution regulation of road transport falls within the exclusive jurisdiction of Provincial authorities". Also refers to Judgment of the Judicial Committee of the Privy Council in 1912 A.C. at page 342, City of Montreal vs. Montreal Street Railway where it was pointed out that intraprovincial traffic would be under Provincial regulation and interprovincial traffic under Federal regulation and that this was described as "a most unworkable and embarrassing arrangement".

9634 C.A.T.A. submits that any attempt of the Parliament of Canada to regulate interprovincial and international road transport would be ultra vires of the Parliament of Canada.

Refers to discrimination against highway transport on the Prince Edward Island ferry and also on the current ban on truck traffic through the National Parks of Canada.

9635 A further instance of discrimination against highway transport is an Order by the Federal Minister of Agriculture dealing with subsidies on the movement of grain from lake ports to inland points, the result of which has been to deprive the motor carrier of the subsidy granted to other transportation agencies whereas the railways continued to receive the subsidy.

A further example of discrimination is with regard to the movement of bonded traffic where the railways now have a preference. A further example is with regard to the prohibition of transportation into any province from any place outside Canada of intoxicating liquor except by water or by railways.

9636 Refers to railway operation of highway transport and refers to the growth of railway owned and operated highway transport particularly in Western Canada.

9637 "The financial resources of the railways enable them to acquire readily and ready-made competitive transportation companies. There is taking place a gradual process of integration of the various types of carriers under railway ownership. Nowhere in Canada to-day does regulatory policy exist which restrains or bars the acquisition of other types of carriers by the railways. In the absence of regulatory policy it is impossible for a smaller form of transportation to prevent its ultimate absorption by the railways. If such absorption continues unchecked the railways will ultimately control a very large portion of Canada's transportation facilities."

9637 and 9638 "The major investment of the railways is in railway transportation. The railways will undoubtedly continue to dominate the transportation field; the chief concern of railway management with regard to competitive forms of transportation will continue to be the protection of the investment in rail transport."

9639 C.A.T.A. recommends that the Railway Act of Canada be amended so as to prevent acquisition of highway transport operations by the railways.

Refers to agreed charges as introduced in the Transport Act of 1938. This Act effectively denies to highway carriers the right to be heard even though their business may be seriously affected by the decisions of the B.T.C.

As a result of the economic conditions in Canada since the agreed charge principle was adopted, few agreements have been made. In the event of a change in economic conditions resulting in an intensified competition for existing traffic, the increased application of this principle will imperil the established highway services to the detriment of the public.

9640 The approval of an agreed charge has been withheld when it was shown to be unduly prejudicial to a water carrier who had participated in the carriage of traffic and resulted in an undue or unfair advantage. The Transport Act of 1938 gives to carriers by water and air an opportunity to defend themselves but denies such an opportunity to carriers by motor vehicle.

C.A.T.A. submits that the principle of agreed charges is inequitable and should be removed from the Statute.

9641 Refers to regulations of trucking industry and advocates two fundamental measures of provincial control over highway transport.

(1) Control of entry into the field by requiring the potential operator to prove that his service is required from the standpoint of public necessity and convenience;

(2) Control of highway freight rates.

C.A.T.A. regards these two measures of control as complementary and believes that to be wholly effective they should co-exist.

C.A.T.A. submits that uniform provincial operating regulations of the trucking industry are necessary in the public interest.

9644 and 9645 Contains extracts of P.C. 1240 of June 18th, 1919, barring truck traffic through National Parks of Canada.

9700 Refers to letter written by Private Secretary to Minister of Mines and Resources, which in part states as follows: "You will appreciate that the Department must keep in mind the interests of all those who are concerned, including the two railroad companies."

9703 Witness states that if there was free trucking through the National Parks there would be considerable interprovincial trucking between Alberta and British Columbia.

Vol 51

9713 Witness - Mr. Gene L. Buckman, on behalf of Canadian Automotive Transportation Association

Refers to fact that 13 years ago in B.C. there were 75 licensed carriers of which 48 are still in business. Scheduled services operate all year round in B.C.

9714 Refers to difficulty of obtaining Canadian customs bond to permit truckers to take freight into the U.S. and back into Canada. This was by Customs regulation passed in 1901 which restricted the bonding privileges to railway carriers. About 2 years ago as a result of the Geneva Convention this restriction was removed and traffic can now move freely freight in Canadian bond over U.S. highways and back into Canada.

9714A Refers to difficulties with respect to National Parks.

9718 Approximately 50 vehicles engaged in B.C. in international and interprovincial traffic.

9722 Submission by the Associated Newfoundland Industries, limited.

Counsel - Mr. J. B. McEvoy, K.C.

9725 Refers to statement made by Prime Minister on Feb. 16th, 1949, with reference to transportation and Newfoundland "and we do not want things to happen which will interfere with the usual trading practices of the Maritime Provinces, we hope that instead of there being interference there will be promotion of trade relations, and that is something with which the Board of Transport Commissioners will have to deal. Of course they have no jurisdiction with respect to water rates, and they will have to take into account what the water rates are in fixing tariffs for goods that will be apt to move by water out of the Port of Halifax after having been carried by rail from some other point in Canada."

A very small portion of the incoming freight to Newfoundland is carried by rail and it follows that the determination of a fair and equitable freight rate structure for Newfoundland demands that carriage of goods by sea rates must be regulated and subsidized in the same or somewhat similar manner as rail rates, by regulatory rates over ships engaged in interprovincial carriage in the Maritime region.

9734 Suggests that the cost of operating the Newfoundland Railway and Coastal Steamer Systems should be borne by the Dominion and not by the traffic which might pass over the lines.

9736 and 9737 Suggests that a review of some of the major secondary industries reveals very little change in the landed cost

of raw materials to Newfoundland since Confederation. Moreover there is no comparison with the corresponding revenue received from the sales of the finished products.

9743 States that present freight rate structure applied to Newfoundland the Maritime "Mileage" Tariff C-17 as against the much lower "Town" Tariff C-12 obtaining in corresponding instances throughout the Maritime Provinces, resulting in a comparative overcharge to Newfoundland of approximately 22%.

9750E Suggests that before Newfoundland can receive a freight rate structure competitive with that as part of the Maritime region, obtaining in the Maritime Provinces, it must be made applicable to both carriage of goods by sea and rail rates with the additional allowances necessary to offset the geographic and economic and other disadvantages arising out of their position as the most Easterly province of the Dominion.

RECOMMENDATIONS

1.- Secondary Industry must be fostered and maintained if calamitous repercussions to the economy of Newfoundland are to be avoided.

2.- Improvements must be made in existing Railway and Port facilities.

3.- Newfoundland Railway and Coastal operations should become independent of the Atlantic Region and come under the direct supervision of Montreal.

4.- Readjustment of local rates for Railway and Coastal Services should be adjusted on the recommendation of a permanent Advisory Committee to the railway management.

5.- A new rate structure should be made applicable immediately to Newfoundland, calculated to ensure:-

a. Special rates on raw materials moving from the Mainland for processing in Newfoundland, so that the laid-down cost to manufacturers in Newfoundland will be equalized to the cost of manufacturers elsewhere in the Dominion.

b. Special rates within Newfoundland providing economic distribution within and throughout the island.

c. Special rates to Newfoundland manufacturers to create equality of opportunity in competing for Dominion-wide markets;

d. In general the rates for Newfoundland to be on such a basis as will facilitate marketing in the Maritime Provinces to the extent necessary to offset the geographic and economic disadvantages arising out of our insular position, and as the most Easterly Province of Canada, thus providing Newfoundland with a freight rate structure truly competitive with that

applying throughout the Maritimes.

5.- The regulation of freight rates should include carriage of goods by sea as well as rail traffic by placing the same under the jurisdiction of the Maritime Commission or some other statutory body with the necessary regulatory powers.

9816 Submission on behalf of Province of Saskatchewan.

Witness - Dr. G. E. Britnell.

9827 Saskatchewan economy is peculiarly dependent on rail transportation because of distance from markets, a high degree of specialization, and the bulkiness of products bought and sold.

9828 Payment of high freight charges has impeded diversification and grain lands have become less and less productive.

9829 In the impeded diversification witness explains that he means industrial rather than agricultural diversification i.e. of manufacturing, mining, forestry, and fisheries rather than agriculture.

Absence of competitive or a relative absence of competitive rates militates against Saskatchewan. Heavy freight burden of shipping capital goods, machinery and supplies into Western Canada and the heavy freight burden on the products shipped out tend to impede diversification. Manufacturing accounts for approximately one-tenth of net provincial production and is chiefly concerned with the processing of agricultural products. Saskatchewan's manufactured goods, therefore, must go to outside markets along with the raw materials of the province and their existence reduces only slightly the degree of specialization which characterizes the provincial economy.

9832 and 9833 Any relative lowering of transportation costs in the Prairie region or on merchandise going to or from the Prairie region holds the promise of marked expansion in the economic activity of the region. Any pronounced upward revision of railway rates must seriously narrow the margins of economic productivity in the Prairie Provinces.

9845 Railway freight rates can do much to advance or retard the mechanization of Prairie farms. Any serious upward revision of such rates would tend to check the use of power equipment in the Prairie economy.

Saskatchewan's natural resources are such as to render any appreciable measure of provincial economic self-sufficiency impossible under present conditions.

adequate transportation facilities at reasonable rates are therefore not merely the condition of a greater or lesser degree of prosperity but are necessary for the survival of the provincial economy.

9846 Suggests that Saskatchewan offers greater encouragement to cheap and economical railroading than any other region in Canada.

Refers to "National Policy" of trade and tariffs and support of this policy by East-West flow of trade with an all Canadian rail length. Submission refers to natural features of soil, topography, and climate in determining the productive capabilities of Saskatchewan, but points out that its settlement was undertaken and its development has been largely circumscribed in the interests of the national policy.

9849 Claims that the fundamental prerequisites both for the initial development and for the survival of the Prairie economy are an effective world demand for wheat, rail transportation facilities, and low freight rates.

9851 States that wheat production occupies a more significant position in the economic life of Saskatchewan than in that of any other province.

9862 Saskatchewan accounts for somewhat more than one-third of the oat crop of Canada and about one-half of the oat crop of the Prairie provinces,

9863 Barley acreage has shown a substantial increase with Saskatchewan at times occupying the position of the largest producer in the Dominion. Rye is very much less important in the economy of the province than other coarse grains.

9864 Average contribution which wheat has made to cash income in Saskatchewan over period from 1925 to 1948 is slightly under 60%.

9872 Under competitive conditions the producer of wheat tends to pay the price of transportation.

9887 Beef cattle largely produced on range lands of south-western Saskatchewan and in the park areas of the eastern and northern parts of the province. Hog production tends to be concentrated in the eastern, north-eastern and northern areas with substantial wartime production in recent years in central Saskatchewan.

Sheep and lambs are found largely in south-western, east-central and north-western Saskatchewan.

The regional distribution of livestock in Saskatchewan is indicative of the long-run influence of natural factors on the agricultural economy, while national and international policies and the trend of livestock prices and

their relation to grain determine shorter-run production trends.

9888 Significance of transportation costs to livestock economy is very important and the Submission is that it must be considered from the standpoint of the long run welfare of an important industry in the economy of Canada.

9890 To the extent that economic factors are favourable to livestock production, the broadening of the base of the agricultural economy is desirable.

9891 Emphasizes that geographic disadvantages of Saskatchewan's ranching areas would, in the past, have been materially reduced had trade in livestock been allowed to flow freely along natural channels. Transportation disabilities are not the necessary consequences of a mid-continental position. Suggests that the natural export market for Western livestock is the U.S.A. and if barriers to North-South trade had not been imposed and traffic directed East and West a much greater volume of Canadian cattle would undoubtedly have moved freely into this market.

9894 Points out that the significance of transportation charges on livestock can best be appraised when related to the value of the product.

9897 Claims Western livestock areas are less favourably located in relation to the large domestic and European markets than either the central or the Maritime provinces.

9899 Saskatchewan sends a greater number of cattle to stockyards by rail than any other province -- less than 30% move by truck -- by far the lowest proportion of any important producing province.

The principle of maintaining the lowest possible freight rate on livestock is vital to the preservation of that industry influenced as it is by conditions of national and international economic policy and separated, in part geographically and in part artifically from its great natural markets.

9900 This diversification of agriculture in Saskatchewan must be brought about through livestock. All efforts have been directed towards this end with a view to encouraging its development not only for the sake of those directly engaged in it but also to broaden the base of the agricultural economy in the interests of the Province and of Canada as a whole. Submits that national transportation policy should contribute to these aims.

9910 Claims dairy industry in Saskatchewan by reason of economic, geographic and other disadvantages has been the most adversely affected by transportation costs and related difficulties.

9915 and 9916 Claims Saskatchewan ships out of the province a greater volume of butter and a greater proportion of the total make than do other provinces but owing to geographic location this exportable surplus must move long distances by rail and at higher rates than those paid by competing provinces. Therefore suggests that apex of freight structure for butter movements falls within Saskatchewan, shifting back and forth across the province as the relative levels of demand vary between the Eastern provinces and British Columbia.

9917 Refers to fear of butter dropping back to 30¢ level which it had in 1941 and to the much lower levels of the 1930's and the impact of transportation costs which would be proportionately much greater.

9918 Submits requirement for a measure of relief in the matter of transportation costs for the dairy industry in Western Canada.

9928 States poultry industry in recent years has grown from sideline occupation into a substantial industry. In 1948 the poultry population in Saskatchewan of some 10 million represented approximately 14% of the Dominion total.

9929 Refers to transportation difficulties with regard to assembly of eggs in Saskatchewan.

Transportation problems in the poultry industry are not confined to shipment of final products but involve movement of hatchery equipment, specialized poultry feeds and baby chicks.

Suggests that Saskatchewan poultry industry, faced with heavy and relatively fixed transportation costs will be among the first to feel the effects of reduced market demand and the problems and burdens which eventually result from lower prices.

9929E Relative burden of transportation costs on the honey industry is heavy and a sharp drop in honey prices would add seriously to this burden.

9933 and 9934 Refers to some of the industries which have been developed during the past two or three years and makes specific reference to establishment of a woollen factory a natural sodium products plant, a plant for processing vegetable oils, a chemurgy plant and a number of local industrial concerns.

9935 Industrial and domestic consumers of electric power in Saskatchewan are in a unique position with respect to freight rates since Saskatchewan is the only province which is forced to depend entirely on coal plants for the generation of electric power.

9938 Claims chief problem of Saskatchewan farmer through the years has been a difficult and sometimes impossible task of balancing fixed costs against fluctuating income. One of these fixed costs was freight charges. Past experience in Saskatchewan has proven that fixed charges, which may appear reasonable when price levels are high, become excessive and are a great burden on the economy when price levels fall.

9940 Emphasizes fallacy and dangers inherent in any theory of rate-making which might suggest that a freight rate structure traditionally, historically and perhaps necessarily inelastic in its nature should be established on a basis of relatively favourable conditions temporarily obtaining in a highly variably agricultural economy. No concept could be more deceptive, or if applied could be more disastrous to the Prairie economy and more disillusioning to the transportation systems of Canada.

9941 Witness doubts practicability of a scheme of fixed low rates and not variable rates.

Vol 52

9944 Freight charges weigh heavily on the Saskatchewan coal mining industry owing to the low unit value of coal.

9948 With regard to forestry and forest products, Saskatchewan's role is rendered very difficult as a result of geography and transportation costs which determine in a large measure the extent of the area which can be economically worked. At best the competitive position of this industry in Saskatchewan is unfavourable to that of sources closer to the major markets.

9951 "The burden of freight rates bears more heavily upon the Saskatchewan economy than upon any other part of Canada. Geographical location contributes to this fact. The regional variability of road and water competition also plays a significant part. National policies relating to railways and fiscal measures have, however, greatly intensified the burdens arising from these circumstances. The history and implications of those policies will be briefly outlined."

9960 Submission claims that construction of the Pacific railway to the north of the Great Lakes was dictated by the National Policy and can be justified as in the national interest. The costliness of the construction through those regions accounts to a considerable extent for the fixed charges of Canadian railways and thus enters into railway rate calculations for the Canadian economy.

9961 "The hundreds of miles of Shield bridged by the Pacific railway remain unremunerative in terms of traffic and thus not only the fixed charges but also the operating costs of the region fall upon traffic which originates or is destined elsewhere."

9962 and 9963 Canadian railway construction has been an integral part of the National Policy. The main lines of the Canadian railway system were located in the national interest and with little regard to the questions of economical construction or operation. The burdens of transportation facilities have thereby been immensely enhanced in the interest of economic and political unity.

Claims railway rates are higher in Western Canada than they are in the central provinces. This discrepancy exists in the general rate structure, in competitive rates and in the distinction between town tariffs as granted in the East and distributing tariffs in the West.

9965 Supports principle of the interdependence of tariffs and transportation facilities in Canada and refers to historical example where Galt justified the tariff increases on the basis of the costs and benefits of transportation improvements undertaken by the Government.

9972 Tariff policy is inseparably tied up with transportation policy in the development of the Dominion and the significance of the tariff varies as between regions in Canada.

9974 By fostering industry, Canadian tariffs have increased the value of properties best suited for industrial plants and for the housing of industrial labourers. Suggests, therefore, that the tariff has operated to provide a financial subsidy to the population of the areas of Canada in which it has stimulated industrial expansion, notably in the Central Provinces.

9982 and 9983 Refers to argument that Western development to any extent would obviously be impossible without railway facilities and for this reason it is argued the tariff structure assures the east-west movement of goods which in turn serves as the paying traffic for the Canadian railway system.

"It can readily be granted that without the tariff the Canadian system of railways would be wholly uneconomical. It would be incorrect to assume, however, that the Prairie Provinces would be without adequate railway facilities had the Canadian transcontinentals and their feeder systems not been built."

9984 Canadian tariff policy has pursued the dual national purposes of fostering Canadian industry and creating traffic for Canadian railways. To the extent that these purposes have been achieved the residents of the prairie economy have borne a double portion of the cost involved. First, they have been denied access to many of the efficient mass-producing centres of American production for the purchase of their requirements. Second, they have had to pay transportation charges on their purchases for the long distances from Canadian production centres.

9986 Claims Saskatchewan has suffered in relation to heavy transportation charges as a result of national policy, which while perhaps supportable from the stand point of the nation, have involved a heavy price being paid by Saskatchewan as a part of that nation. Submits that the pattern of railway development has been a part of national policy and therefore that these railways should be considered as instruments of national policy in removing the disadvantages under which the people of Saskatchewan suffer.

9987 Refers to B.T.C. and suggests as presently constituted it is not an adequate body to deal with the transportation problems of Canada.

Thinks B.T.C. should be competent to carry out Government policy relating to development or otherwise as expressed by Parliament. Thinks B.T.C. should have and exercise a greatly enlarged jurisdiction over competitive rates.

Suggests technical personnel of B.T.C. is completely inadequate and that it should be enlarged and strengthened by the appointment of accountants, economists, engineers and others who will be competent to understand and deal not only with routine matters but with transportation as a national problem.

9988 Submits no effective regulation of rates can take place without supervision by B.T.C. of the accounting policies and systems of the railways and without a uniform accounting and reporting system prescribed by the B.T.C. and enforced on the railways through periodic inspection of their accounts.

9992 Stresses importance of B.T.C. defining dividing line between capital and maintenance. Does not think it is proper for management to be the arbiter as to what maintenance should be charged to the user. In the matter of depreciation, it is not proper that the rates set by management should be accepted without investigation and production of supporting factual data to establish their validity.

Thinks B.T.C. should give particular attention in prescribing a uniform system of accounts for the separation between what is operating cost and what is

capital. It is further suggested that there be prescribed a uniform policy as to provisions for retirement of plant. Thinks B.T.C. should have right of inspection of accounting and statistical records maintained by railways. There should be a standard form of annual report to the B.T.C. fully detailed as to all necessary statistical and accounting information and available to the public which pays the rates.

9993 Refers to I.C.C. system as being a fully developed system complete with underlying rules on marginal issues.

Saskatchewan makes these suggestions on the assumption that subsidiary ventures such as the hotels and the mining investments of the C.P.R. will be considered as railway investments for the purpose of rate-making and that the accounting practices of these subsidiaries will be subject to the scrutiny of the B.T.C.

9994 Believes that a substantial measure of relief for the people of Saskatchewan against high transportation costs could be obtained through a fuller utilization of the Hudson Bay Railway and the port of Churchill.

9998 Refers to rail extensions and development lines and points out that there are still many gaps to be filled and large areas in the north of Saskatchewan that are badly in need of transportation facilities.

9998A Thinks that development of proven areas should not be retarded by lack of transportation facilities.

9999 "The railway systems represent an integral part of national policies and it is suggested that in the national interest and in the interest of this Province and of neighbouring provinces lines should be extended to northern areas which show promise of making a contribution to the economy of the community."

10000A Refers to certain Special rates, lower than standard rates, which have been in effect for a long period of years and which have now undergone or are in the process of undergoing substantial increases over and above the general increases applicable to all rates. Makes specific reference to special seed grain rates, purebred livestock and exhibition rates, and farm implement rates.

10008A Refers to regions north of the Great Lakes and the high cost of construction and operation in that region and suggests that these high costs cannot in any sense be chargeable to the Prairie region since this route was dictated by the National Policy and the Prairie region ought not, therefore, to pay additional costs as a result.

10009 Saskatchewan says that the principle of regional costs is not being put forward as a basis for rate-making

[illegible] says that the principle of regional costs is not being put forward as a basis for rate-making

but it is strongly urged that a low cost area should not be forced to carry a heavier burden than high cost areas or than the nation as a whole.

10022 With reference to equalization of freight rate levels, Saskatchewan states as follows:-

"1. There has been a belief by the government and by the Board that there has been a differential against the west;

2. That differential has been removed to some extent.

3. Policy has been in the direction of complete removal."

10023 Refers to Western Freight Rates Case, 1914, where the B.T.C. found that the existing discrimination between tolls in Eastern and Western Canada was not unjust but was justified by effective water competition and by the competition of U.S. railways throughout Eastern Canada.

Refers to Eastern Tolls Case, 1918, where the Judgment of the B.T.C. said in part as follows:- "There is no doubt but what the Act requires and the general public interest of the country as a whole demands, that, if practicable, eastern rates should be advanced so that the different schedules may more nearly approach a parity (with western rates). "I am aware that an absolute parity is impracticable, but, as conditions become similar, a reasonable parity ought to be obtained."

10030 The net result of increased competition by other carriers has been to impose on the Prairie region a larger comparative load in order that railway earnings might be maintained at an adequate level.

10032 Claims that Saskatchewan as well as Alberta and portions of Manitoba has suffered and continues to suffer a gross injustice as a result of certain tax exemptions given to the C.P.R. Submits that as a matter of elementary justice the exemption should be entirely removed and that this question should properly be considered by the Royal Commission.

10035 Competitive rates may roughly be divided into water competition and truck competition. The competition also may be real or potential.

10037 Refers to trucking competition in Eastern Canada. Except for licensing and certain safety measures truck transportation is entirely uncontrolled and is free to offer the railways the keenest and most wide-spread competition. The monopoly position of rail transportation has definitely been lost in Eastern areas and rail rates have been subjected to drastic reduction.

10042 Suggests that in regard to the equality which should exist between shippers and consignees in various regions in Canada the Railway Act appears to leave a loop-hole in that discrimination and preference is not prohibited but only "unjust" discrimination or "undue" preference. Thus truck competition has justified the anomalous situation repeated time and again whereby different users of railway transportation are charged different prices for the same service.

10044 Submits that the consideration of competitive rates involves two distinct problems. There is first the necessity for regulatory measures to provide for an examination of the propriety of individual competitive rates or groups of competitive rates.

10045 As business enterprises the railways should retain some freedom to meet legitimate competition by instituting competitive rates, subject to investigation and approval of the B.T.C. It is suggested that a competitive rate could be instituted by the railways and filed with the B.T.C. together with all data supporting the alleged necessity for its institution. The responsibility would then rest on the B.T.C. to investigate, within a stated period, the validity of the data so presented and determine the desirability or otherwise of allowing the rate to continue in effect.

10047 Saskatchewan feels this suggestion is more satisfactory than the institution of a rate floor above which the railways may experiment freely with little fear of challenge.

10049 Saskatchewan's view is that competitive rates tend to be brought down to out-of-pocket expenses with very little or no contribution to administration, depreciation, fixed charges or dividends; in this way forcing the non-competitive areas to shoulder the burden represented by these competitive rates.

10051 It is suggested to the witness that there might be a distinction between an individual rate being termed a loss and the total number of competitive rates being carried at a loss. The witness agrees with this suggestion and says the railway could not carry everything at competitive rates and points out that it is a cumulative problem.

10053 The second problem in the control of competitive rates is perhaps peculiar to truck competition and involves control of trucking and possibly all trucking rates.

10054 Suggests that there seems little doubt that the control of the B.T.C. should be extended to the matter of interprovincial trucking both as to rates and the conditions of service. The further opinion is expressed that a uniformity of control over all

commercial trucking would be desirable either through co-operation among the Provinces or by a vesting of jurisdiction in the Dominion to the end that control might be delegated to the B.T.C. Saskatchewan is prepared to surrender jurisdiction over freight rates in the case of all commercial trucking to the B.T.C.; it would wish to reserve such a measure of control as to protect the provincial highways and also protect the revenue position of the Provinces.

10058 Witness says Saskatchewan looks upon all transportation as one problem -- believes there is an inconsistency in trying to solve trucking on a provincial basis and rail transportation on a national basis.

10060 and 10061 Chairman queries the power of Saskatchewan to surrender its jurisdiction to the Dominion Government as regards provincial trucking. The witness states that they can hardly surrender the matter of licensing and still be asked to maintain the highways. If the Dominion would extend the transcontinental highway to cover all the highways then the provinces might surrender their license fees.

10063 In the view of Saskatchewan there has been a shift in the relative burden of maintaining railway services as a result of the institution of the many thousands of competitive rates, chiefly in Eastern Canada.

10067 The existence of competitive rates in the rate structure unavoidably creates a disparity in the regional burden of maintaining the railways of Canada. Witness points out that in general it would appear to be difficult to refute the suggestion that if low competitive rates are profitable to the railways, non-competitive rates must be substantially more so.

Saskatchewan is not asking for the elimination of competitive rates and does not necessarily think they are a bad thing.

10069 Refers to the problem of the long haul and points out that this is a particular problem in Saskatchewan, running as it does through their entire economy. The long haul is involved in marketing the natural and the processed products of the Province and in the importation of consumer and capital goods from the industrial East.

To the extent that the Western producer tends to bear the freight costs on his products in terms of a price less freight and on capital and consumer goods in terms of a factory price plus freight the burden is accentuated and the people of Saskatchewan thus forced to bear a much greater share of the cost of maintaining the national transportation system than people in other parts of Canada.

In the opinion of the Government of Saskatchewan the long haul rates must be drastically reduced.

10070 and 10071 Witness points out that the Crow's Nest Pass Rates offer a perfect example of long haul rates fixed as a matter of national policy. "To the suggestion that the profitability of the carriage of grain under these rates should be inquired into, the categorical affirmation is here made that even if such rates are non-compensatory, such a conclusion is completely irrelevant. The rates represent established national policy, the alteration of which would be ruinous to the wheat-growing areas."

10072 With respect to the removal of geographic disadvantages, it is the view of the Province of Saskatchewan that the principles enunciated in the Maritime Freight Rates Act are sound. Inherent in the passage by Parliament of the M.F.R.A. is a recognition of the principles of compensation for the restrictions imposed on regions by policies adopted in the interest of the broader concept of nationhood.

10073 The fundamental problem and the one bearing most heavily on Saskatchewan and the adjoining provinces is the long haul involved in marketing western products and in importing necessary capital and consumer goods, on both of which movements the west tends to bear the transportation costs. In their view it is completely logical to explore the possibility of applying relief through the reduction of those rates which bear with such severity on the people of the West. There can be little question but that a substantial reduction in rates on all products shipped out of the Prairie Provinces and on all commodities imported into these Provinces would provide a measure of effective relief reasonably commensurate with the disadvantages under which the Prairie economy must operate.

10075 It is urged on behalf of Saskatchewan that an effective freight rate reduction, at least equal in degree to that provided for in the M.F.R.A. shall be made applicable to all freight shipments (other than those covered by the Crow's Nest Pass Agreement) leaving or entering the Prairie region.

10079 and 10080 Only through the use of the subsidy device can justice be accorded to the West while at the same time the railways are maintained as efficient operating units. Equity to the West demands drastic reductions in freight rates yet it seems clear that adequate redress cannot be granted by any conceivable adjustments within the confines of a practicable rate structure. This emphasizes the justification and need for national funds being utilized to enable a truly national solution to be applied.

"In considering the form which a subsidy may take the distinction should be kept in mind between the

device employed under the Maritime Freight Rates Act and a payment made to remove a deficit resulting from rate reductions. The former is very simple and results in no change in the balance sheet of the railway. The latter will depend on the accounts of the railway and may fluctuate from year to year. It is probable that both devices will be necessary if the recommendations made in this Submission are adopted. The objectives sought to be realized are two-fold; first, to secure an equitable rate structure, largely through drastic rate reductions; second, to insure that the equitable relationship shall be maintained. It is of fundamental importance that the comparative burden on the Prairie region shall not be increased by gradual changes in the rate structure once an equitable situation has been created."

10021 The witness amplifies what he means by the term "deficit subsidies" as being payments from the public treasury to the end that the railway may continue to provide satisfactory services despite inadequate operating revenue. In this connection he mentions two statements:-

1.- There is definitely no thought of freezing rates after equalization has been achieved thus putting the railways in the happy position of knowing that the budget will be balanced from the public treasury in any event;

2.- No subsidy of this type will be necessarily involved if the railways have progressive management and a proper supervision is exercised by the Board. The position of the Province is this: granting that substantial equalization is achieved then if as a result of rate reductions in other areas there is a deficiency of railway earnings, the situation should not be corrected by higher rates in Western Canada, and other vulnerable areas. Under such circumstances a subsidy should be resorted to. Subject to this, normal rate fixing should proceed, under the supervision and guidance of the Board. Indeed both rate changes and such a deficit subsidy will be under supervision of the Board, strengthened it is expected, as suggested in an earlier portion of this Submission.

10022 The other type of subsidy referred to in this Submission is modelled on the M.F.R.A. andapplies to all rail freight traffic movements in and out of the Prairies except grain and grain products moving at Crow's Nest rates.

This subsidy is designed to correct the impact of national policies by extending the reductions throughout the entire length of the long haul on both incoming and outgoing freight. It is suggested that the propose ought to be more properly described as a compensation rather than a subsidy. The proposal essentially involves a percentage reduction on all freight bills

in respect to the rail freight traffic movements referred to above.

It is further proposed that the details of this device should be under the administration of the B.T.C. pursuant to a general Act of the Parliament of Canada.

10083 That a national subsidy is an appropriate instrument to make such rate reductions possible may be further demonstrated on several specific grounds:-

There are 7 such grounds referred to, contained on Pages 10083 to 10090.

Vol 53

10124 Witness points out advantages of B.C. over Saskatchewan in having water compelled rates -- trans-continental rates, and a somewhat broader base for diversification.

10132 Regarding depreciation accounting, witness does not think there is any necessity for amending the Railway Act because the Act as it now stands gives the necessary power to the B.T.C.

10157 Witness refers to fact that shortly after the Crow's Nest Pass Rates were brought in in 1897 and for several years thereafter the rates were lower than the rates provided by Statute. Points out it is the ceiling on the Crow's Nest Rates that is important to the Western farmer in assisting him in making calculations for the future.

10173 Contends proposed extension of M.F.R.A. principle to Saskatchewan would stimulate a good deal of industrial diversification thus helping to broaden the base of Saskatchewan economy. "That is what we need more than anything else, because the trend in mechanization in wheat farming is by no means over, and I look for a condition under which the farm population continues to shrink in the normal course of events if it were to take advantage of mechanization and large scale agriculture."

Witness goes on to point out that in those industries for which Saskatchewan is suited they look for some assistance by way of transportation costs.

10177 Witness refers to two types of subsidy which Saskatchewan recommends. The first is the subsidy on the lines of the M.F.R.A. and the second is a deficit subsidy -- a contingent sort of subsidy for the purpose of assisting the railways when as a result of general economic conditions it is not possible for them to finance without increasing railway rates unduly and when the economy of the country is not in a position to stand such increases.

10178 and 10179 Wants B.T.C. to recommend to Parliament whether such a deficit subsidy should be paid in any year and the amount of same. If Parliament decides that they should not pay such a subsidy or any part of it then the only recourse would be to take it up as an additional increase in freight rates.

10230, 10231, 10232, and 10233 Witness recapitulates what he considers to be the economic disadvantages of Saskatchewan:-

Fluctuation in the crops.

Dependence on export markets which are vulnerable.

Wide fluctuation in farm prices and rigid freight charges.

Uncertain yield and uncertain price rise in farm costs and stability in farm prices.

The bulk of the products in which Saskatchewan specializes.

The lack of diversification.

Grain lands becoming unproductive.

Geographic disadvantages.

Distance from markets.

Lack of water transportation.

Isolated position.

Mountain ranges on the West and the Pre-Cambrian Shield on the East.

Weather conditions which prevent the use of highways all the year round.

Feels these economic and geographic disadvantages would be overcome by the application of the M.F.R.A. principle.

Qualifies this with respect to dairy industry, poultry industry, and honey industry where the advantages of the M.F.R.A. principle would also apply to principle competitors of Saskatchewan.

10244 Witness contends that M.F.R.A. principle suggested by Saskatchewan would not so much be compensation for the economic and geographic disadvantages but for what they interpret to be the effect of National policy on the economy of the West.

10245 Does not suggest that tariff principle is wrong now or should be changed but rather that the introduction of the M.F.R.A. principle would help to overcome the disadvantages of the tariff.

10270 It is suggested to the witness that the introduction of the M.F.R.A. principle for Western Canada would result in protest by the Maritime Provinces since the introduction of such principle would tend to destroy or prejudicially affect the present advantages to persons or industries located in the Maritime select territory.

10271 and 10272 Saskatchewan regards it as essential that policy with respect to S.F.U. should be left to the Cabinet or to the Government. Every aspect of administration though as distinct from policy, should come to the S.F.U. either within the confines of the Railway Act

or in the form of an Order-in-Council which may be issued and of which the B.T.C. would take cognizance.

10273 Thinks it necessary to preserve the right of final appeal to the Government.

10275 Regarding increased staff for B.T.C. thinks for purpose of consultation that they need at least two economists, probably more than two accountants and one or two engineers. Further natural development to take place in response to actual needs and the provision of services by those people as the B.T.C. become aware of the advantage of being prepared in advance for possible rate cases.

10281 and 10282 Saskatchewan suggests that tax exemptions given to C.P.R. should be removed and witness thinks this Commission would have power to make such a recommendation. Saskatchewan feels it is a part of the transportation problem, that it is one of the disadvantages under which the Prairie economy labours and it is one of the disadvantages related to the operation of railways. The exemptions given to the C.P.R. affect or have affected virtually every larger municipality in the province of Saskatchewan.

10285 Regarding competitive rates, Saskatchewan recommends that these should be raised to the highest level possible as long as the railways retain the traffic regardless of whether or not they are compensatory.

Vol 54

10289 Submission by Canadian Automotive Transportation Association - continued.

Witness - Mr. John Magee.

10291 Restrictions which virtually prohibit trucking in bond do not now obtain in Canada due to Geneva Convention.

10295 There is still a restriction on in bond transit for a shipment picked up in the U.S. and delivered to Canada. The present regulations require that the customs duty be paid at the bonding point of entry and the railways taking shipments from the U.S. can go right to their destination, and if the customs forms have not arrived, the goods can be taken to a bonded warehouse and the railway vehicle released. That cannot be done in the case of a truck.

10300 In Ontario the Ontario Government, through the Ontario Municipal Board, does not permit American truckers the right to take a short-cut through Canada in transit in bond from one American point to another. Witness refers to case of application by an American carrier to haul automobiles over Ontario highways between one American point and another, which application was refused.

10306 Mr. Frawley, contends that this prohibition is a provincial prohibition and that actually under the terms of the Geneva Convention there is no Dominion Customs regulations preventing the free entry of U.S. trucks into Canada for passage only through Canada.

10307 Mr. Rapoport, on behalf of C.A.T.A. points out that if an individual truck is carrying its own goods, that is the owner of the truck and the owner of the goods is the same individual, there would be no difficulty but if this individual truck was a carrier for hire, it would have the same difficulty as a carrier with a large fleet.

10312 Mr. Rapoport, on behalf of C.A.T.A., points out that what they want is the right to take a sealed vehicle in to a bonded sufferance warehouse in Canada and not have to clear it at the port of entry as is now the case.

10314 C.A.T.A. is not in favour of federal regulation of interprovincial and international traffic in Canada, --- certainly not as long as the C.N.R. remains in the hands of the Government.

10325 Refers to 500,000 mile highway network of which the break down is as follows:-

Portland Cement concrete	2,485	miles
Bituminous paving	6,931	"
Gravel, crushed stone	125,813	"
Other surfaces	122	"
Total	140,349	"
Improved earth	136,870	"
Other earth	276,044	"
Total	552,963	"

10331 Refers to difficulties of obtaining accurate statistics on trucking operations. Agrees that Bureau of Statistics has power under Statistics Act to obtain necessary information but difficulty lies in fact that there are so many thousands of operators that it is difficult to obtain proper information.

10332 Witness agrees that truckers should have their books open for examination to see what rates they are charging and that this information should be available to the public in every province.

10333 C.A.T.A. wants provincial rate control.

10340 Witness points out that in Manitoba and Saskatchewan they are compelled by the regulatory bodies to charge rates lower than the railways are charging.

10341 Refers to application in Manitoba by Manitoba Automotive Transport Association for 21% rate increase on behalf of the trucking industry at which time they were granted a 12% general rate increase effective December, 1948. In Saskatchewan a similar application was made for a 21% increase and the Saskatchewan Highway Traffic Board granted a 15% rate increase effective February 14th, 1948.

10342 This was the first occasion when the two Provincial Boards changed their policy and set the maximum rate lower than the rail rates in Manitoba.

10343 Mr. Sinclair, on behalf of C.P.R., points out that the Canadian Pacific subsidiary, in regard to trucks on shipments point of origin to point of destination, does comply on the intraprovincial movements with the provincial regulations with regard to the movement, that is, part rail and part truck. They use railway tariffs and railway rates. In regard to movement that is interprovincial, they do not.

10344 Mr. Hume refers to extract from a publication "Truck and Coach" where reference is made to the meeting of the 4 Carrier Boards of the Western Provinces and the decision announced following the close of their annual conference, providing that interprovincial truckers in the 4 Western Provinces will charge rates which apply in the Provinces where the goods are loaded. (Some question was raised as to the effect of such a decision on the 4 Governments concerned.)

10360 Mr. Evans, on behalf of the Railways, says that they do not advocate that provincial regulations should fix rates for truckers. They do not believe in the fixing of rates by a regulatory tribunal.

10362 In the Province of Quebec each trucking company files its own rates and all rates if they are not contested stand.

In Manitoba and Saskatchewan the Provincial Boards make fixed rates. These are rigid rates and are both maxima and minima.

10364 In regard to rate regulation by Provincial Boards on trucks there are two types of regulations which exist. There is the the fixing of rates by a Board and in that case the Board says to the trucker "You will charge such and such a rate" and that is the end of that situation. This prevails in Manitoba and Saskatchewan. In B.C. and Quebec the trucker goes to the Board and files his rate and he says to the Board "I would like to charge this rate". The Board might change it but on the other hand after they examine that

rate and study the operating situation of the carrier they may allow the carrier to charge the rate he wants to charge.

10371 Reference is made to a statement of Mr. Fairweather during the Senate enquiry of 1938 with regard to the Transport Act and the fact that in the opinion of Mr. Fairweather 50 miles was the economical scope for truck transportation. Witness, Mr. Magee, thinks this statement was not correct at that time and certainly does not think that is the fact to-day. It is their view that it is not possible to define a proper limit for the transportation of goods by motor vehicle and that the limit of haul or trucking is the end of the road.

10375 C.A.T.A. does not propose that a study be made of their costs for the purpose of determining whether their operation is economical beyond a certain mileage.

10377 and 10378 C.A.T.A. particularly concerned with those Provinces which now have no rate regulation. They want rate regulation in Ontario and also in Alberta. Witness admits that they are not seeking any recommendations from this Commission with regard to the regulation of truckers in Alberta.

10379 Witness does not see how shippers operating their own trucks can or should be restricted.

10380 Witness does not agree with the findings of the Duff Report with regard to the fact that highway transport has been extensively subsidized.

C.A.T.A. would be agreeable to anything which would produce regulation in those Provinces which have not yet got it. If that were to come about through Dominion-Provincial co-operation or could be promoted through Dominion-Provincial co-operation, they would be agreeable to such a proposal and to such an endeavour but the witness does not see why their interests should be related to such regulations.

10382 C.A.T.A. does not want any Dominion Control at all on trucking.

10383 The truck operators do not want anything other than Provincial regulation.

10385 Witness is questioned as to uniform licensing by way of an agreement between Dominion and Provincial authorities as suggested by the Duff Commission, and his answer is "If some uniform principle of licensing were adopted by the Provinces we would be in favour of it but by the Provinces only."

10390 With respect to N.S. the witness is of the view that the Provincial legislation dealing with regulation of trucking industry should be proclaimed and enforced and the sooner the better.

10416 Witness thinks truckers should have a fair rate of return on their investment but the C.A.T.A. has never set any figure which they would consider to be a fair rate of return. The witness believes that they have done so in the U.S.

10417 C.A.T.A. feels that the various types of users of the highways pay their fair share of the cost of maintenance and construction of such highways. Witness agrees that if each of the users did pay his fair share that would define economically the sphere of truck operations in their various districts.

10427 Witness is definitely opposed to truckers being placed under R.T.C. and thinks it would be the beginning of the end for the truckers when that happened.

10435 Chairman suggests that whether or not any particular user of the highway is contributing his fair share to the upkeep of the highway is a matter for provincial concern.

Mr. Sinclair on behalf of the C.P.R. says that what they are urging this Commission to recommend is that it may be a matter for the Dominion to exert every effort by co-operative measures to get and have uniformity in regard to regulation.

10436 The witness is asked whether he would agree that there should be integration of highway and railway transport where that would result in improved service to the public and the witness agrees that this would be desirable if such integration involves co-operation between two entities. The trucking industry as an independent industry and the railroad as an independent industry.

10443 and 10444 Witness explains that C.A.T.A. objects to the railway running in competition with the railway's trucks running on the highways since they are afraid the railways will acquire a monopoly of all transportation if they are allowed to purchase trucking companies in competition with railways.

10450 Mr. Hume, on behalf of C.A.T.A., recommends amendment to the Railway Act so as to prevent the railways from acquiring trucks and operating them. He further says that the public interest would be better served that way than by having the railways acquire all the trucks in the country thereby acquiring a monopoly.

10461 Reference is made to the conflict which seems to be appearing between the two Unions, the Railway Branch and the Teamsters, where the trucks are owned by the railways.

10471 Witness Mr. J.G. Goodman, for the C.A.T.A., says that to his knowledge during the past 13 years in Ontario only five carriers within the Province have gone into bankruptcy and that the reason for this has been by and

large mismanagement.

10472 Witness deals with question of truckers picking and choosing their freight and answers as follows:-

"The individual carrier, because of the type of equipment he operates, would of necessity pick and choose his freight to fit in with his type of equipment. But I would like to suggest that in considering whether the trucking industry as a whole picks and chooses its freight one should look at the industry as a whole.

"We have all types of conveyances that are operated on the railway, such as tank trucks, automobile vehicles, furniture vehicles, coal trucks, brick trucks; so the motor carriers by and large can carry any type of commodity that railway transportation interests carry. And I submit that the industry as a whole does not pick and choose its freight."

10473 and 10474 Mr. Goodman refers to certain figures of registration of public carriers and privately owned vehicles in Great Britain following the Road-Rail Traffic Act of 1933, which was the first British enactment bringing under central control the transportation of goods vehicles, that is, freight vehicles.

10475 The trucking for hire has decreased and private trucking has increased very considerably. Mr. Hume on behalf of the C.A.T.A., points out that the only conclusion to be drawn from this is that this Act when it came to regulate hire truckers, apparently caused a decrease of those who wanted to go into the business, whereas the private individual has gone out and bought his own trucks to move his own goods.

10477 and 10478 Witness offers certain figures for information purposes as to the taxation of the trucking industry so far as the Federal Government is concerned. The Provincial Governments receive revenue from highway transportation in the form of gasoline taxes, and license fees. Last year the Federal Government received approximately $100 million from highway transportation in the way of excise taxes, sales taxes and duties on gasoline, tires, tubes, trucks, and automotive parts. The witness points out that the $100 million figure which the Federal Government got represents about three times the amount of the deficit of the C.N.R. for last year.

Vol 55

10479 Witness refers to subsidy on movement of feed grains and points out that the subsidy is paid to the net user, the farmer, and the intent of the Order in question provides for an increased subsidy to farmers who receive their grain by rail as against those who receive their grain by truck

"As a result of the new order purchasers receiving their grain by motor truck do not receive that portion of the subsidy payable from lakeports to inland points, whereas the subsidy continues for those using railways."

Before the Order the subsidy was payable where the grain or the mill feeds was ultimately delivered by rail or by truck -- payable to the consignee -- now it is only payable when the consignee receives his grain by rail.

10491 Regarding agreed charges, the Transport Act of 1948 gives to carriers by water and air an opportunity to defend themselves but denies such an opportunity by carriers by motor vehicle, and it is suggested that the reason for this was that carriers by water or air could come in and make a protest because they were both regulated. It is suggested to the witness that if truckers had been regulated under the same Act they would have been given the same opportunity.

10493 Witness states that objection of C.A.T.A. to agreed charge provisions of the Transport Act was twofold. They had first in 1931 objected to being regulated by Federal authority and in 1948 when the Transport Act was being considered they objected to the agreed charge principle.

10494 Witness points out that as a matter of interest there was no one agreed charge in effect in the Maritimes and that in the Maritimes there are a great number of small industries.

10500 Refers to a movement of some four and a half million gallons of petroleum products by truck from Pennsylvania to Hamilton, Ontario, at a time when there was an extreme railway car shortage.

10508 to 10523 Evidence in French on behalf of C.A.T.A. by witness Camile Archambault.

10532 Submission by the Province of Alberta.

10540 to 10605 Submission dealing with industrial location in Alberta and the present rate structure.

10540 Submits:-

1.- That long-run solution of the problems of the Canadian railroads lies in an increased volume of revenue producing traffic rather than in high or higher rates.

2.- That an increased volume of business to the carriers would be created by national policies

designed to promote the development of the resources of the nation.

3.- That historic national policies have contributed toward creating in the Prairie region an economy lacking an integrated, balanced economic structure; and that under national legislation there has been established and maintained a structure of rates which has impeded the development of resources within the Prairie region.

4.- That the natural resources of the Province of Alberta are capable of substantial development; that the development of these resources is consistent with the welfare of the country and of the territory; and that maximum advantage would result from the removal of institutional impediments to the processing of Alberta's raw materials in locations close to their source.

10542 Alberta's concern is with the location of new industrial capacity and with the factors which affect the choice of location to-day.

Refers to wartime industrial expansion and the fact that industrialized centre of the country likely to continue to attract and absorb population from the distant regions.

10544 The rate of industrial expansion has been and remains relatively rapid in the central Provinces.

"Ontario alone is responsible for close to half of the investment in Canada --- British Columbia and the Maritimes have increased capital expenditures most rapidly since 1945. The indication is that these Provinces are currently spending almost five times as much as they spent three years ago. Ontario and Quebec are each spending about four times as much, and the Prairie Provinces about three times."

10545 Strong tendency to increasing industrial concentration in the already heavily industrialized portions of the country. The condition of relatively slow industrial expansion in the Prairie region does little to correct the fundamental weakness of the economy, or of the units of government, in this region.

<u>Factors entering into costs include the following:</u>

(a) The investment costs -- the rate of interest on borrowed funds and plant construction costs.

(b) Plant operating costs -- salaries and wages, taxes, fuel and power and raw materials.

(c) Selling costs -- including transportation costs.

10550 Regarding wages -- examination of wage statistics from various sources suggests that earlier differences, with higher rates in the Prairie region, have been substantially eliminated.

10552 During the war wage ceilings applied except in the case of relatively low rates. Raising of the latter reduced wage differences generally. The second factor and undoubtedly the main one, is the increased organization of workers. The growth of national industrial labour organizations and the application of the principle of equal pay for equal work in the establishment of wages through collective bargaining.

Regarding local taxes -- suggests that it is likely that the availability of suitable sites and the market price of sites is a more important factor than rates. Suggests that it is reasonable to suppose that on a regional basis, local taxes are not significant in the determination of industrial location.

10553 Regarding fuel and power -- for processes adapted to the use of gas and coal, Alberta offers relatively cheap fuel.

10554 Suggests that the reason for the continued preference for investment in the central provinces and the current rapid rate of expansion of industrial plant in these provinces lies in the organization and structure of industry, in economies of scale and in transfer costs.

Regarding industrial organizations -- suggests that new industrial plant is created either by established firms through expansion of existing facilities in the situation in which already occur or as branches in new localities, or by new firms in the locality in which the industry is already established or in new locations. Other things being equal the advantage tends to lie with the established firms and with the location in which the industry is developed.

10555 Regarding economies of scale -- suggests that while technical conditions may predispose to economies of scale, the ability to realize on such economies depends on transfer costs.

Regarding transfer costs -- the aspects of transfer costs which are relevant to the choice of location include:-

(a) The geographic distribution of consumers.

(b) The geographic distribution of sources of material.

(c) The relation between rates and distance.

(d) The input-output processing relations.

(e) The relative rates for procurement and distribution.

10558 Refers to the fact that the economy of the more sparsely populated Prairie regions has certain defects and suggests that these defects could be reduced by the expansion of industry in the Prairie Provinces.

10559 FREIGHT RATES AND INDUSTRIAL LOCATION

Suggests there are two broad divisions of the subject matter.

A. The relationship between the transportation rates on raw materials and the rates on products made from those raw materials.

B. The matter of transportation charges which apply on the same products from different production areas (market rates).

A. Raw Material and Finished Product Rates.

The relative transfer costs on raw materials and processed products will, in specific situations, tend to do one of the following:-

(a) Encourage consumer location.

(b) Encourage producer location.

(c) Play a neutral role in location.

The meat packing industry is one of the best examples of (a) -- an industry affected by freight rate regulations which tend to produce consumer location.

10562 In the past the vast bulk of Alberta's livestock has been sent to deficit meat areas in the unprocessed state; that is, as live animals.

10568 Certain examples are given and the conclusion reached is that it is cheaper to process Alberta's livestock outside Alberta and the explanation is that this is a result of the relative levels of the freight rates charged on meat and livestock.

A situation comparable to the meat-livestock example exists in the petroleum industry, where the freight rate on crude oil is 40% of the 5th Class standard mileage rate while petroleum products take a rate which is on the full 5th Class basis.

10589 Other examples of industries in the classification which tend to produce consumer location are leather goods and tanning, wool processing and soap manufacturing.

An example of an industry which tends to produce producer location is that of the sugar manufacturing

industry of southern Alberta. The relation which exists between the rates on sugar beets and the rates on the processed product is a prime determinant in the matter of the location of these plants.

10571 Other industries affected by producer location rates include such agricultural processing plants as those handling canned vegetables and evaporated milk, although both the latter are conditioned by the perishability of the initial raw material to a much greater extent than is sugar.

An example of the third general classification of raw material-finished product rates which tend to play a neutral role in location is the flour milling industry. It demonstrates a rate relation between the raw material and the processed product which has a neutral effect upon the location of processing plant.

10572 Refers to the milling in transit privilege which is exactly the same for milling at all intermediate points on a direct line of transit so that grain which originates at Red Deer could be milled at any point between Red Deer and Montreal at the same transportation cost.

10573 The practical effect of the milling in transit privilege has been to permit the establishment of, or continued operation of, mills situated in non-wheat producing areas.

Refers to a statement in Jackman's book on Economic Principles of Transportation, which explains the development by the railways of the milling in transit privilege and which refers to a similar development which took place in Canada.

10573 <u>B. Market Rates</u>

Relatively high rates in one area, although they may act as a trade barrier protecting the local market, generally have the effect of increasing the transportation bill for industry and commerce located in that area and of limiting the market for locally produced commodities.

10574 Long and short haul discrimination has very decided implications for industrial development. e.g. the position of the vegetable canning industry of Southern Alberta which is unable to get the benefit of its proximity to the West coast market because vegetables grown and canned two thousand miles further east have been able to move into that market at a lower rate.

The manner in which interline rates are constructed also has an effect upon industrial location. e.g. the new salt plant at Lindbergh, Alberta, a Canadian National point, is assessed a surcharge of 6¢ per 100 lbs. on all traffic which moves to Canadian Pacific points. The effect of this addition to the through rate is to

seriously qualify the competitive position of this plant vis a vis plants at Waterways, Alberta; Unity, Saskatchewan; Keepawa, Manitoba; and Windsor, Ontario; all of which receive the through single factor rate because of location on both lines or at least proximity to both lines.

10575 The existence of distributing rates from certain places and the lack of those rates from others also has an effect upon industrial location.

The problem of market rates and industrial location may also be related to the use of agreed charges.

10576 Refers to the fact that the position of the small shipper is made difficulty by agreed charges. Also refers to a more fundamental disability pertaining to agreed charges which is the fact that they interfere with legitimate competition from other carriers. It is the submission of Alberta that the only effect that legislation of this kind, which hampers free competitive influences within the transportation field, is to increase the overall cost of transport service to the users.

10577 The Stop-off Privilege is one which has certain implications for industrial location. It has been recommended by the B.T.C. in several Judgments that this is a privilege which it is the prerogative of the railway to give. In the B.T.C.'s view the only jurisdiction it has in the matter of Stop-off Privileges is in regard to discrimination which may result from the privilege. Alberta contends that this matter should not be left in the control of the railways alone.

Rate groups have a bearing upon industrial location. In the absence of production area rate groups there is a tendency to concentrate industrial activity at one point. Alberta submits that the principle of grouping freight rates from the same production area to common market points should be a recognized feature of the freight rate structure.

Also refers to developmental rates in relation to industrial location. Alberta submits that rates granted to a new industry should be on the same basis as the rates to comparable industries in other parts of the country. If special circumstances exist which make it necessary or desirable for a new industry to have a lower than normal rate the making of such a rate should be the concern of the railways, the industry and the B.T.C. Developmental rates when made should be limited in time otherwise industry becomes adjusted to a lower than normal rate which under present conditions may be removed arbitrarily and without sufficient notice.

10579 CARRIER REGULATION AND INDUSTRIAL LOCATION

A. Railroad Management

Railroad management is concerned with industrial location to the extent that such activity will increase their net return. The Submission points out that the railway is primarily concerned with moving goods and that in general the more goods which are moved and the greater the distance such goods are moved, the greater will be the revenue and presumably the profit to the railway. The railways, it may be expected, will act in their own best interest. Realizing this, however, merely points to the folly of assuming that industrial location is a matter which can safely be left to the working of railway policy alone.

10580 B. The Board of Transport Commissioners

10581 (1) The relation between rates on raw materials and the rates on finished products.

(Various Judgments of the B.T.C. are referred to on Pages 10581 to 10588)

10589 In the matter of raw material and finished product rates and more particularly in the matter of one such relationship of obvious importance to the Province of Alberta, (meat-livestock) it is apparent that the attitude of the B.T.C. has had an appreciable and deleterious effect upon the location of secondary industrial activity in Alberta.

(a) Market rates and market competition.

10591 Alberta contends that geographic, climatic and economic conditions are in reality of primary importance in assessing the reasonableness of a toll because reasonableness must be related to the value of a service given to a commodity. Alberta also contends that in the past insufficient recognition has been given by the B.T.C. to the degree to which the three factors influence the reasonableness of a rate applying from a particular point. In Alberta's view decision regarding rates to meet market competition, i.e. competition due to more favourable geographic or economic circumstances, should be the direct concern of the B.T.C.

10592 "The B.T.C. has held on many occasions that it is not the "arbiter of industrial policy". If freight rates have a significant effect upon industrial location (As Alberta submits they do) the effect of such a decision by the B.T.C. is to leave these matters within the competence of the railways. In Alberta's view, the railways are unacceptable as arbiters on industrial policy and they submit that the B.T.C. should assume an active role in these matters.

10593 SUMMARY AND RECOMMENDATIONS

A. Raw Material and Finished Product Rates

Submits that either rates should be passive or they should encourage the producer location.

10594 B. Market Rates

All rates which are made to meet market competition should be subject to prior examination and approval by the R.T.C. Before such approval is granted it should be demonstrated that the general welfare of the particular industry will be advanced and that it is in the interests of the carriers and of the consuming public that such rates be established.

10646 Witness Professor Andrew Stewart.

Witness says that they do not want go against the advantages of technological change and improvement by concentrating industry across the country on the basis of high transfer rates, that is high in a relative sense in relation to other prices and other costs. They do want to use the freight rate structure to protect local industry in Alberta and to develop industry in Alberta on that basis.

10648 Witness believes that it is in the interests of the province and the general interest of the country as a whole that these processes of manufacturing their raw materials should occur at the point of supply of material, that is within the Province itself. Consequently they are particularly interested in the relation between raw material and finished products rates, and in attempting to insure that the rate relationship established in the freight rate structure does not arbitrarily and unjustifiably militate against the manufacture of the product at the point of supply of raw materials.

10649 Alberta's proposal with regard to relative rates on raw materials and finished products rests on three points.

1.- They submit that the effect of relative rates on industrial location is significant and is proper consideration in establishing freight rates.

2.- They feel that the importance of relative rates on industrial location and the principle of adjusting rates so as to affect location is already recognized in the Canadian freight rate structure.

10661 3.- The application of this principle should be left to the discretion of the railroads.

Contends that Railway Act should recognize that relative rates should not dispose against producer location but rather that they should be passive in their effect on location or if anything weighted in the direction of encouraging producer location. The regulatory bodies should hear complaints where it is alleged that rates controvert this principle and where such contention is substantiated that the B.T.C. should adjust rates in conformity with the principle.

10663 In making adjustments the B.T.C. should be guided by a consideration of the established rates on similar raw materials and the established rates on finished products.

10665 Witness Mr. Hu Harries.

10680 Witness suggests that in as much as freight rates may be responsible for moving 40% of the cattle and calves out of Alberta for processing that that is undesirable.

10681 Suggests that freight rate is the major factor and responsible for 75% of this total movement of livestock.

10687 Witness suggests that either the freight rate on meat is too high or the freight rate on livestock is to low and that what Alberta is complaining about is the relationship between the two.

10710 Witness also refers to the freight rates on crude oil and refined products and says that here again they are complaining of the relationship between the two and that they are not prepared to say whether it is the refined product that is too high or the raw material rate which is too low.

10721 Witness agrees that there is nothing in the freight rate structure on grain which militates against the manufacturing of grain in Alberta and that that is why they say the freight rateha s a neutral effect.

Vol 56

10755 Witness states that rate groups have a bearing upon industrial location - by a rate group he means the same rate from several different points of production to a market regardless of the distance to the market from the farthest plant to the nearest plant.

10756 In the absence of production area rate groups, there is a tendency to concentrate industrial activity at one point and Alberta believes that this is not desirable particularly in connection with agricultural processing plants.

10757 Submits that the principle of grouping freight rates from the same production area to common market points should be a recognized feature of the freight rate structure.

10759 With regard to the establishment of rate groups Mr. Ivens, on behalf of the C.P.R., points out that some have been established by the railways and some by the R.T.C.

10766 Witness contends that the place that railroad policies and management occupy in the field of industrial location is an important one.

10807 "The Board has held on many occasions that it is not the "arbiter of industrial policy". If freight rates have a significant effect upon industrial location, the effect of such a decision by the Board is to leave these matters within the competence of the railways. In our view, for reasons made clear above, the railways are unacceptable as arbiters of industrial policy. We submit that the Board should assume an active role in these matters."

10815 With regard to stop-off privileges, the witness points out that it is their view that if an individual wants in transit or stop-off privileges that he should first go to the railways and ask for it and if he is not satisfied with the result of that negotiation he should then have the privilege of taking his case to the R.T.C.

10819 Regarding developmental rates, the witness suggests that after the initial period is over that any renewal of the rate must receive the approval of the R.T.C. but that this would be automatic approval if the railways and the shipper were both in favour of extending the rate for a further period.

10821 The R.T.C. in approving developmental rates in the first instance or in approving the renewal of same, in the opinion of the witness should consider economic and geographic conditions, as they should in the reasonableness of any rate.

10828 Witness - Professor Andrew Stewart.

10833 Witness points out that in this submission they are talking about relative transportation rates. In determining the location of plants the producer should be able to forget about relative rates and then he would consider all the other advantages of locating in one spot or another. In the meantime, however, the decision with regard to his location is confused by the relationship between rates on the raw materials and finished products.

10837 Alberta is in favour of having the Federal Government do what it did in the earlier days, that is, spend money on the development of resources which would then provide revenue producing traffic for the railroads, and in their opinion this would make a material solution of any problems the railways may have.

10843 Witness is queried about whether the B.T.C. would become an economic planning board as a result of some of the recommendations of Alberta. He points out that at the present time what economic planning is being done is being done by the railways and that in the opinion of Alberta the B.T.C. could perform this function just as well and perhaps from a more general viewpoint than the railways.

10864 Witness contends that the advantages of consumer location which apply in certain industries and make for location in the East would seem to apply so far as the implement industry is concerned in the West and he conceives it quite possible that at some stage the West may develop a manufacturing industry of agricultural equipment, bringing in raw steel and doing the processing close to the point of consumption.

10871A Witness agrees that Alberta's position is that the long run solution of the railways' problem is increased volume and not higher rates and that volume can be created by developing the nation's resources.

The position that Alberta takes is that industry should have a right to complain to the B.T.C. that rate relationships are such that they are not neutral.

10890 Witness Mr. Hu Harries recalled.

"We do not suggest that the Board of Transport Commissioners be made a planning board at all. We suggest that there is implicit in the problem of controlling rates a certain amount of economic planning, and we submit further that under competitive conditions that is handled for the most part by the railways. We say that the Board should take a more active role, but we would like to make absolutely clear that we are not suggesting that the Board be made a economic planning

board in the wide sense where they would create industry here and there according to some procedure that they worked out. We do not believe that this is a suggestion of ours that the Board be an economic planner in that sense at all."

10821 Alberta agrees with the principle that rates on raw materials should be lower than rates on manufactured products and there is no suggestion in their brief that manufactured products should be moved at the same rate as raw materials from which that product is made.

10892 Witness contends that Alberta is complaining about the fact that they believe there are certain instances in which the freight rate structure unjustly militates against the establishment of secondary industry and Alberta is seeking to have that impediment removed.

Vol 57

10917 and 10918 The third section of the I.C.C. Act is referred to, particularly Section 3, Subsection 1, which reads as follows:

> "It shall be unlawful for any common carrier subject to the provisions of this part to make, give, or cause any undue or unreasonable preference or advantage to any particular person, company or firm, corporation, association, locality, port, port district, gateway, transit point, region, district, territory or any particular description of traffic, in any respect whatsoever."

Section 318, Subsection 3 of the Railway Act is referred to, particularly as regards Paragraph (a) of Subsection 3, which reads as follows:

> "No company shall. (a) make or give any undue or unreasonable preference or advantage to, or in favour of any particular person or company, or any particular description of traffic, in any respect whatsoever;"

Chairman indicates that there does not appear to be any substantial difference between the U.S. and the Canadian legislation.

10921 Mr. Evans, on behalf of the C.P.R. suggests to the witness that it is probable that a trucker free to make contracts will tend to carry traffic for longer distances than might be found to be within the economic sphere of a motor vehicle. The witness indicates that the probability is that more detriment will arise from the fact that the railways are allowed to make contract rates permitting them to carry a movement which may encompass a field in which they are not probably the most economic carrier than is the probability in connection with truckers.

10922 Witness agrees that short hauls - very short hauls - are in most cases within the economic sphere of trucks and that in the other case on the long hauls this is a sphere which should be exclusively the railways. In between these two extremes there is a competitive sphere.

10925 Witness agrees that the trucker tends to be more selective than the railway companies.

10941 Witness admits that he does not know of a case where a small shipper was denied the right to a fixed charge equal to an agreed charge because of the size or volume of the small shipper's traffic.

10949 The witness is asked how a small shipper is at a disadvantage assuming the agreed charge is not lower than the competition requires. The witness points out that he might be at a disadvantage because of the relative proportion of his long and short haul business, and that if it differed from the shipper with the agreed charge then he would be the loser.

10950 Witness suggests that as far as the railways are concerned shippers regardless of whether they are big or small should be treated alike and that size and differing market competition and so on should not be a justification for a different rate.

Witness suggests that when you have agreed charges that is what happens and that is why he suggests that agreed charges are not good from the standpoint of the small shipper.

10956 Reference is made to Page 620 of Coyne's Railway Law of Canada - "Where a shipper alleged that its business had been unjustly discriminated against as the result of the making of an agreed charge, the Board refused to fix a charge for such shipper under Section 33 (4) on terms and conditions which would be much more favorable to such shipper than those contained in the agreed charge."

10970 Agreed charges must be compensatory or N.T.C. will not allow it. Subsection 13 (a) of Section 33 of the Railway Act provides for this.

10972 Under certain circumstances the Board has the right to disallow a rate but not to substitute a new one - See Section 325 of Railway Act.

"The Board may disallow any tariff or any portion thereof which it considers to be unjust or unreasonable, or contrary to any of the provisions of this Act, and may require the company, within a prescribed time, to substitute a tariff satisfactory to the Board in lieu thereof, or may prescribe other tolls in lieu of the tolls so disallowed."

The usual order is that the discrimination be removed. That usually permits the railway to have an option, the option being to raise the lower rate or to lower the higher rate. As long as the discrimination is removed and the rates

are reasonable in themselves the B.T.C. does not interfere.

10975 Witness would be prepared to give B.T.C. power to order stop-off privileges to be put in if after hearing the evidence of both parties the B.T.C. thought it was desirable.

10976 Stop-off privilege means this - that the shipment inbound to the stop-off point for storage moves in at the local rate and goes into storage and then after a certain time the goods are shipped out at a through rate and the difference paid by the shipper is the difference between the local rate and the through rate.

10989 Alberta feels that stop-off privilege should not be left to the entire discretion of the railways.

10990 Mr. Evans, on behalf of the C.P.R., feels the stop-off privilege is the prerogative of the railway as long as it does not discriminate.

11020 Witness thinks that B.T.C. in considering relationships between the rates on raw materials and on finished products would have to take into account such things as value of service and cost of service. Witness thinks that it is obvious that the B.T.C. would have to take into account a major disturbance of existing industry although he points out that any adjustment is going to affect industry in some respects.

11038 Mr. Frawley, on behalf of Alberta, points out that Alberta would want their recommendation to say that the B.T.C. would have as a principle which would guide it, the maintenance of the critical relationship between the rates on raw materials and the rates on finished products.

11039 Alberta believes that it is implicit in the problem of controlling rates that the powers of the B.T.C. should be so extended as to make it in fact the arbiter of industrial policy in the country. If the B.T.C. is not the arbiter of industrial policy then Alberta maintains that the railways are and Alberta does not think that is satisfactory.

11043 Witness explains what Alberta means by suggesting that B.T.C. should become the arbiter of industrial policy and assume an active role in this regard as follows:

"When we say that we think the Board should assume an active role in these matters, what we mean is that there should be changes in the statutes, where necessary, or merely a recommendation that the Board should consider these matters which we bring up in our recommendation. First of all, that is the matter of our raw material - finished products rate, the rate should not discourage or encourage producer location. We say that the Board should

concern themselves with this stop-off privilege; that they should concern themselves with rate groups and with developmental rates and the matter of limited competition and I see should come more directly under their supervision. We do not want to leave the impression, sir, that we want the Board to be an economic planning body. That is not the suggestion, but we do want them to take a more active role, not a complete role, but we do not like the idea of them almost disclaiming any responsibility and then leaving it up to the railways."

11045 Mr. Frawley, on behalf of Alberta, states that at the present time it does not appear to Alberta that any amendment to the Statute is necessary in order for the B.T.C. to set up a rate which will contain no difference with respect to location in the country between the user of raw materials in one place and the user of the raw materials in another.

11052 Witness says that Alberta's view is that the rate relation should not discriminate or it should encourage producer location, e.g. with copper refining, the rate relations should not encourage the movement of the copper ore for 500 or 1,000 miles to a point of refining. A further example is with regard to petroleum and the movement of crude oil should not be encouraged for 1,000 or 1,500 miles to the point where it is refined. Alberta contends that from a transportation standpoint and from a general economic standpoint that this view is a sound one.

Vol 58

Mr. De Darling resumed

11060 Witness refers to relationship between livestock and meat packing house products in the U.S. and states that such a relationship applied throughout the U.S. with regard to shipments of livestock and packing house products and that the I.C.C. has accepted the fact. Witness says they have made relationships between these two products in different areas and there is no necessary relationship between what they have described in one particular area and what they have prescribed in another, except in all but a few cases the relationship is at or below what they term the critical relationship.

11061 Witness does not suggest that the aspect of rate making is eliminated by the I.C.C. in favour of the aspect which would have the rates determined solely upon the basis of this critical rate.

Witness says that it is an important factor; merely one aspect, one factor that a regulatory body must look at in establishing a rate.

11064 It is suggested to the witness that there are other raw materials which might possibly be subject to the same kind of study by a regulatory body, such as pulpwood. Pulpwood is a raw material which is turned into six commodities, namely, pulpwood, paper, scrap paper, cardboard, cardboard boxes and scrap cardboard.

Witness is asked if it is his suggestion that the B.T.C. would, when determining rates on these six commodities, have to sit down and work out a critical rate relationship between each one of those commodities, because such in turn becomes a raw material for some other commodity. Witness says it is not a matter of the Board going out and making a study, it is a matter of an individual who has the facts, coming to the B.T.C. and presenting the facts and his argument, and requesting the B.T.C. to consider same and if in their opinion he has a good case, to advise where he may ask for relief.

11066 Alberta believes that the B.T.C. should have the power, after considering the evidence of both parties, to say that there shall or shall not be a stop-off or intransit privilege.

Witness suggests that the business judgment of the railways should be interfered with to the extent of imposing upon them something they may not consider in their interests.

11090 Witness says railways should be obliged to set up warehouse or storage facilities at certain points that might not be to their interest so to do.

Reference to four agreed charge cases:

C.N.R. vs. The Good Rich Refining Co. Ltd., 50 C.R. and T.C. 161;

C.N.R. and C.P.R. vs. Lion Oils Ltd., 50 C.R. and T.C., 156;

Good Rich Refining Co. Ltd. vs. Canadian Freight Association, 54 C.R. and T.C. 140;

C.N.R. and C.P.R. vs. McColl Frontenac Oil Co. Ltd., 33 J.C.R. and R. at page 1.

11090 It is the view of the witness that when there are very significant economic bases between the character of the carriers that he does not see anything wrong with having one controlled and the other not controlled.

11091 Asked why should one be impeded in its endeavours to compete with the other witness says because they differ in economic characteristics, seeing railways are essentially monopolistic in character and that the trucks are essentially competitive.

Witness says that as far as developmental rates go they would be in the initial instance agreed between the railway and the shipper.

Witness thinks the railways are in the best position to appraise the likelihood of developmental rates creating traffic.

Witness thinks for the initial instance if the developmental rates would be something that would prejudice business the matter could be left to the judgment of the railways.

11093 Witness thinks there should be a time limit on a developmental rate where it has been in for some length of time and the railway may consider the industry as grown up.

Witness says at the expiry of that time the rate should be allowed to lapse unless the R.T.C. approves an extension of that rate. Witness says the extension would be predicated upon the R.T.C.'s review of the

facts or argument presented by both sides and any other interested shippers.

Witness says the R.T.C. would be in the position of being able to impose an extension of a rate if the railway felt that it should not have continued.

Witness does not think that the railway would in these instances initiate developmental rates.

11097 Witness says that the compensatory nature would in the final analysis be one of the determining factors which might change the R.T.C.'s decision as to whether or not they should be renewed.

11099 Witness says they would not want the R.T.C. to put in a non-compensatory rate to bring about a rate relationship.

Witness says both rates should be compensatory and if they are not then the rate relationship should be disregarded.

11101 and 11102 In regard to stop-off privileges, witness would give the R.T.C. the broadest of powers. They would consider all the factors.

11102 Witness says the question of discrimination would be one of the factors to be considered in connection with stop-off privileges.

Witness says that regardless of distance involved between a producing area and the market or between the different factories, there might be a consideration which may lead the R.T.C. to effect a rate grouping so that all producers could get into a certain consuming area.

11103 Witness thinks it would not be a matter of doing away with the geographic advantage of the closest point when it has a very tactical geographic advantage, but when you have plants in the same general area and their market is, say 300 miles away, then these plants should be grouped.

Reference is made to the three steel Companies, at the Soo, at Hamilton and at Sydney, looking for a common market in the Central Provinces. Witness does not think it would be possible to establish a rate group there.

11110 [illegible]

Introduction

Alberta submits that any practical proposals on this subject must include sufficient provisions for flexibility in regulation. It is not the view of Alberta that satisfactory results in the regulation of freight rates can be obtained by rigid adherence to any one set of principles.

Having made this concession to the need for flexibility in regulation, it nevertheless remains true that satisfactory regulation is impossible without some consistent principles on which judgments can be based.

Once the general principles that determine the form the rate structure should take have been decided upon, the familiar elements and concepts of regulation such as "just and reasonable rates", "undue discrimination", "undue preference", "distribution", "similar circumstances and conditions" take their definitions and find their place in the general scheme in terms of these principles.

11111 In Alberta's submission these general principles will be referred to collectively as the "equalization principle" The latter term may sometimes be understood to include both the positive requirements of rate equalization and the exceptions or other conditions which warrant departures from the initial uniformity of rates.

11112 RATE EQUALIZATION

Definition of the Equalization Principle

The equalization principle advocated by the Province of Alberta comprises the following requirements:

(1) Class rates within all regions should be uniform.

(2) General commodity mileage scales should be uniform in all regions for each commodity involved.

(3) Rural commodity rates -- being the accepted formulae for establishing specific non-competitive commodity rates--should be uniform in all regions for like commodities.

It is important that departures from this uniformity be permitted in order to transfer the principle from a pure theory to a practical and acceptable solution to the freight rate problem. The exceptions include the following:

(1) Commodity discrimination: the practice of charging different rates for different commodities as exemplified in the freight classification should be continued, although not necessarily in its present form.

(2) Competitive carriers may be permitted to meet competition of other carriers subject to certain limiting conditions described in part IV of this submission, and in the Alberta Submission on the Long-and-Short-Haul Rule.

(3) Market competition: carriers may be permitted to meet market competition subject to the same conditions as for carrier competition provided/ no disadvantage is created at other origins or destinations.

(4) Commodity rates on specific movements of commodities may continue to be made without the carriers incurring potentially the obligation to extend them to all other movements. Differences in the nature of the movements, e.g. those from primary producer to processor; those covering movement of semi-manufactured goods; those covering movement of manufactured goods direct from point of manufacture; export or import rates, and other similar cases, may authorize a difference in rates; provided that, within each of the preceding types of movements the same basis of commodity rates should be available to all shippers in all regions of the country.

(5) The level of rates established for reasons of national policy will be determined by the nature and aims of the policy in question.

In defence of differences in regional rate levels, cost of service, differences in traffic density, and competitive conditions have been relied upon in varying degree.

Under the method advocated by Alberta cost of service would remain primarily as a determinant of the general level of rates for the system as a unit.

11114 Origin and Asserted Justification for Regional Differences in Rate Levels

The consolidation of class rates became established at a relatively early date at the boundaries of geographical regions although the transcontinental railway systems extended their operations into all the main regions. Five main rate territories emerged, each with its own scales of rates: Ontario-Quebec Territory; Maritime Territory; Ontario-Superior Territory; Prairie Territory; Pacific Territory.

11115 The rate levels in Maritime territory have always been influenced to a greater or less degree by prior considerations of national policy, with rates on the government-owned International Railway originally being set at lower levels than those in the Central Provinces.

The reason for the original difference between the Prairie scale and the Ontario-Quebec scale appears to have been the light traffic density of Prairie lines in the early railway period in the West.

1117 Higher cost of operation is also cited as a factor, but it seems probable in view of subsequent operating experience in Prairie territory that very little of this was entirely independent of density of traffic. In Pacific territory the higher costs of operation in the mountains was the reason for the higher scale of rates, commonly referred to as the Mountain Differential.

11117 Rate Equalization on the System Basis as opposed to Regional Rate Levels.

Segregation of regional revenues and costs for the purpose of determining regional rate levels involves practical difficulties as well as difficulties in principle.

Regional results are of secondary interest to system results.

Some examples of differences in function that arise within a system:

(1) Branch lines are constructed, not because of the volume or profitability of local traffic, but because of their value as feeders to the main lines.

The motive for constructing lines in originally undeveloped regions is to develop additional traffic for the system.

(2) Control of the flow of traffic within the system may result in a heavy concentration of traffic on certain lines and through certain areas.

(3) Lines which function as bridge lines, funnelling traffic from one region to another, also distort regional rate comparisons. Generally speaking, such lines will prove to be highly profitable on any comparisons of local costs and revenues even although they may originate or terminate almost no local traffic.

(4) Changes in ownership of a line may result in a widespread change of function not only in the actual line transferred but also in many other lines.

(5) The interest of the system as a whole necessarily will influence the particular way in which traffic will move. It may also influence the selection of traffic and encourage one movement to the detriment of other movements over the system's lines.

11119 & 11120 These differences in function of lines within a system make the use of regional costs alone for rate-making purposes subject to many qualifications and there would result a method of rate-making based almost invariably on the ability to pay. The central areas, while benefitting from the traffic and markets created by the system, would not be making a proper contribution toward the support of the system. At the same time a higher level of rates in the outlying areas would be a further retarding the development of those areas. The difficulties as well as the advantages of regional rate bases can only be avoided by an equalization of rates on a system basis.

11140 Rate Rationalization and the Railway Act

The status of rate equalization under the existing legislation is largely determined by the interpretation of Sections 314 and 317 of the Railway Act.

The statute gives little positive indication of what a national policy shall consist. Under these circumstances it is perhaps natural that interpretations avoiding as much as possible any interference with the existing freight rate structure should have been preferred.

11141 The main difficulties that have stood in the way of rate equalization in the past can be made clearer by a distinction between "personal" discrimination and "local" or "regional discrimination". "Personal" discrimination is clearly the type prohibited by the Railway Act as has been seen from the phraseology of Section 314: "substantially similar circumstances and conditions", "passing over the same line or route", "charged equally to all persons and at the same rate". The identifying feature is the presence of some direct connection or common point between the two levels compared. Sometimes this connection is due to competition but otherwise it may be a straight physical identity.

"Regional discrimination" refers to differences in similar rates for the same commodity in different regions.

With respect to personal discrimination it may be said that the Act has fulfilled its purpose. Personal discrimination is no longer a serious problem for the reason that it is this type of discrimination which the B.T.C. has held to be prohibited by statute.

11142 Regional discrimination has been a more outstanding issue in the many controversies over freight rates in the past.

Complaints against regional discrimination have foundered largely because such discrimination is not recognized as being within the statutory prohibition of the Railway Act.

The Railway Act can only be held to prohibit regional discrimination if it happens to be at the same time personal discrimination.

The tendency has been to hold that comparisons of rates in different regions are largely irrelevant. Provided the rates within each region are "reasonable per se" there remains little ground for comparing them with lower rates in other regions.

11143 Section 3 of the Interstate Commerce Act was

was expanded by the addition of the words "region, district, territory" which was clearly intended to enable the Commission to attack the problem of differences in regional rate levels.

The Interstate Commerce Commission interpreted the amendments and additions as laying down a definite policy for the removal of regional rate differences.

11127 The concept of regional discrimination can now be said to be firmly established in the United States.

11137 <u>Equalization and Regional Transportation Conditions</u>

and The demand for rate equalization has in its aim the removal of many regional rate differences in Canada. The

11138 chief grounds for this demand are the following:

(1) The existing differences have not been arrived at in any consistent manner, but are largely historical in origin.

(2) The relating of rate levels to regional costs and traffic densities does not recognize the separate relationship of the different parts of a transportation system to the whole.

(3) Differences in regional costs and traffic densities are not adequate standards by which to determine regional rate differences. Revenues and investment must also be taken into account.

(4) Competitive conditions of earlier periods should not influence the levels of class rates today. Competition may be met by the publication of competitive rates lower than the normal level.

(5) For reasons of national, economic and social policy it is desirable that rate equalization be as thorough as possible. By themselves, neither differences in regional costs nor general competitive conditions afford sufficiently sound grounds for departures from a general level of equality.

The advantages of rate equalization from a social and economic standpoint would be considerable to the country as a whole. Alberta does not suggest that they should outweigh at all times such natural advantages in transportation conditions which particular regions may possess. Alberta takes exception to any suggestion that the rate structure as it stands in the affective measure of any regional advantages or disadvantages as may now exist, but are not opposed in principle to permitting these advantages to be reflected in general rate levels in some fashion.

11126 Alberta says the index of such regional advantages should be the regional operating ratios, including an allowance for the investment in each region. Also that it is important that full allowance be made for the organic relationship of each region to the system as a whole.

The advantages of this method of reflecting advantages in transportation conditions are that it would avoid the misleading exaggeration of regional advantages measured by a standard of regional costs alone. It would recognize that differences in the consist of traffic in different regions may produce approximately equality in earnings at a common level of rates, although there may be wide differences in unit costs and traffic densities. It would also recognize the existence of a zone within which the regional earning ratios may fluctuate without warranting a departure from rate equalization.

11130 CHANGES IN THE RATE ADJUSTMENT REQUIRED BY THE EQUALIZATION PRINCIPLE

A. The Class Rates

(1) A Uniform Basis of Rates

The present standard and distributing class rates in each territory should be replaced by a single table of class rates based initially on Ontario-Quebec town tariff rates and applying within all rate territories.

The extent to which the distributing rates displace standard rates as the effective rates is greater in Eastern Canada than in Western Canada. The extent to which the rates apply is briefly reviewed:

Town Tariff Rates apply:

(a) on traffic in both directions from and to numerous town tariff points in Eastern Canada.

(b) as maximum rates to and from intermediate points.

(c) between all stations in groups in Western and Eastern Ontario between Windsor and Montreal as provided in the International Rates Case, 1907, See Annual Report of Board of Railway Commissioners 1908, in Sessional Paper 22a, Volume 43 (1909).

(d) on commodity rates on specific commodities to and from particular non-town tariff points.

(e) on truck competitive rates between all stations on higher class traffic.

11131 The Western distributing rates apply:

(a) outbound only from larger cities and towns designated as distributing points.

(b) as maximum rates to or from intermediate points in conformity with (a).

(c) as commodity mileage rates where published as such.

(d) inbound to certain distributing centres on certain commodities when published as commodity rates.

(e) on truck competitive rates between all stations up to a distance of 400 miles from third class and higher.

It has been claimed that whenever traffic/volume warranted, the railways have published distributing rates. In this way, by far the greater part of the class rate traffic moves on distributing rather than standard rates.

11132 Alberta's chief objections to the dual class rate system, i.e. the use of both standard and distributing rates within the same territory, are the following:

(a) The system tends to be inflexible in that the list of town tariff or distributing points is restricted. Often unnecessarily difficult and unjustifiable conditions are imposed on any town seeking to obtain the privilege of using distributing rates.

(b) The distributing points have an advantage on all class traffic and not merely on those commodities which move in considerable volume.

(c) The system places difficulties in the way of the growth and industrial development of smaller centres while at the same time favouring the concentration of economic activity at the privileged points.

Claims are made to the disadvantages of the smaller centres and the shippers of small volume, which are already sufficiently great by reason of their weaker bargaining power and the differences between carload and less-than-carload rates. All points should be entitled to the same level of class rates.

11133 Uniform Scale to be Uniform for Interterritorial Class Rates

At the present time the straight mileage class rate scales apply within Eastern and Western Canada but a different system of class rates is used for interterritorial traffic between Eastern and Western Canada. The latter rates consist of two factors, the Eastern factor being an "arbitrary" and the Western factor consisting of the Fort William terminal rates.

11134 Claims the effect of this method of rate construction on rates to Western Canadian points varies considerably from the rates that would be charged on the basis of through mileage. The advantage of the two-factor rate over a through mileage rate based on the Prairie standard scale is greatest at Winnipeg and decreases gradually until in Western Saskatchewan and Alberta the advantage disappears.

Since the organization of the present system of interterritorial class rates all class traffic between Eastern Canada and Alberta and British Columbia has actually been charged a higher level of rates than the maximum rates authorized for traffic within Western Canada, i.e. the Prairie Standard Class Rates. In so far as Alberta and British Columbia are concerned no benefits are derived from the low Eastern arbitraries to Fort William and none from the deduction of 130 miles in the Fort William Terminal rates.

Alberta claims a more adequate standard by which to judge the present East-West class rates would be to use the Western distributing or the Eastern town tariff scale for comparative purposes. If this were done the lines of equal rates would obviously fall a considerable distance east of their position.

11135 Rates on International Traffic in Eastern Canada

In spite of the volume of traffic which moves to and from the border gateways in Prairie territory, these points are not classed as distributing points, so that distributing class rates cannot be used except when published as commodity rates. This traffic is the only important traffic in Eastern Canada which still is claimed standard class rates.

11136 Claims if the present distinction between standard and distributing rates were to be continued, then the border gateways at least should be declared distributing points, in the technical sense of the term.

11137 Rates on primary products, whether of agriculture, forests, or fisheries, mines, etc., commodity rates should be uniform from all producing areas.

In the 1-manufactured and fully manufactured commodities, commodity rates may be limited to and from actual points of manufacture, subject again to the right of bona fide manufacturers or processors of the same commodit

to obtain the same basis of rates.

11140 Carload and Less-than carload Rates

Section 314 ss. 3 of the Railway Act permits the charging of lower rates for carload than for less-than-carload shipments.

Alberta submits as a method of encouraging shippers to use railroad transportation in the most economical manner, the distinction between carload and less-than-carload rates should have to be maintained under any plan of equalization.

11141 Rate Differentials Based on Different Carload Minima

This type of volume discrimination is different only in degree from the distinction between less-than-carload and carload shipments. It has been customary for the railroads to publish lower rates for larger carload minima in some cases.

11142 The Control of Competitive Rates

Points out that Competitive Rates and tariffs are dealt with in three different sections of the Railway Act.

Section 314 (3) contains the long-haul-short haul rule.

Section 325 provides the railway tariffs shall be divided into three classes: standard, special and competitive.

Section 329 (4) states what the competitive tariffs are to specify.

11143 [illegible]

The Distance Factor Between Eastern and Western Canada

It is significant that in spite of the comparatively low Western mileage and the distance of 1200 miles between Fort William and Winnipeg that the tapering on this scale is less than on the Prairie standard scale for similar distances.

11144 Horizontal Percentage Increases

Says the horizontal percentage increases have accentuated existing inequalities in the general rate levels and have increased the rate differentials between long hauls and short hauls, and between interline hauls paying combination rates and single line hauls.

11145 Says the form of recent applications to U.S. railroads to I.C.C. for increased rates offers striking contrast to applications of Canadian railroads to B.T.U. in the 30 Percent Case and 20 Percent Case.

11172 Refers to 15 Percent Case, 1931, 178 I.C.C. 539.

Refers to Emergency Freight Charges, 1933, 193 I.C.C. 4.

11173 [illegible]

The Province of Alberta submits that an essenti step toward the removal of freight rate grievances the different parts of Canada is the prescribing of the general form which the rate structure should be whether this be done by statutory or other means.

It is not necessary to convert the Board into a national planning body to achieve this objective. The declaration of a policy, such as that of rate equalization as advocated in Alberta's Submission, would have the advantage of leaving to the B.T.C. t administration of the statute, without imposing upo it problems involving broader issues of national policy.

The equalization principle has the advantage o eliminating the multitude of regional differences i rates for which there are no valid grounds based on contemporary conditions.

Equalization will prevent the freight rate structure from becoming a force adding to the alrea strong economic and institutional forces operating the direction of centralization.

11174 Alberta recommends the following changes in the rate structure and in rate regulation:

(1) The various territorial class rate scales shou be replaced by a uniform class rate scale to apply in all territories.

(2) The uniform scale should apply as a maximum on present interterritorial class rates.

(3) The new uniform scale should be established at the approximate level of the Eastern town tariff scale.

(4) The uniform scale would automatically apply on Canadian factor of international class rates between United States and Western Canada.

(5) Commodity mileage rates within the different territories should be equalized initially at th level of the lowest scale now in effect.

(6) Formulae for non-competitive commodity rates should be the same for all territories.

Mr. Crowley, on behalf of Alberta, says that Section 317 of the R

(7) Lower rates for higher minimum carloads should either be extended in more uniform fashion or their use be restricted to meet exceptional circumstances.

(8) Current competitive conditions may sanction departures from the above equalization requirements, subject to meeting the requirements for the establishment of competitive rates.

11100 Changes in Rationalizing Policy

(1) The principle of equalization should be recognized as the basic determinant of the form of the new rate structure.

(2) Cost of service may function as one factor among others in determining the general level of rates over the system, the classification of commodities and the minimum level for specific competitive rates.

(3) Regional discrimination would be prohibited. The prohibition would be against departures from the equalization principle which cannot be justified by current competitive conditions, considerations of national policy, and considerations warranting the establishment of commodity rates.

(4) Question of fact in border-line cases concerning the right of a shipper or consignee for non-competitive commodity rates should be determined by the R.T.C.

(5) Competitive rates should be considered on first application and be subject to continuous review. Obsolete competitive rates should be raised or be made the criterion of normal commodity rates.

(6) General competitive conditions should be taken into account in any changes in competitive rates or in general rate levels.

(7) Horizontal percentage increases should be modified by the application of maxima to prevent penalization of long hauls and low-valued traffic.

11200 ALBERTA - Mr. R. J. Darling

Mr. Crowley, on behalf of Alberta, says that Section 317 of the Railway Act as it presently stands does not enable the R.T.C. to introduce the kind of equalization Alberta is advocating.

Mr. Crowley says it is not the intention of Alberta that the R.T.C. should have more to say on the economic

policy than the statute gives it, but rather that Alberta does not want to force the R.T.C. to take a stand on the issue of economy. Alberta says that the position of that is in the statute.

11233 Mr. Frawley, on behalf of Alberta, thinks a more active role should be given to the R.T.C. by a statutory principle.

11234 Mr. Frawley says that Alberta does not ask that distributing rates be abolished entirely.

11231 Witness refers to discrimination between rates in Western Canada and rates derived on through mileage. Advocates that in an equalization wherever the present system of using through mileage produces higher rates than standard class rates in Western Canada that the standard cla rates should be used.

11233 Mr. Frawley supposes the R.T.C. has power to make the border gateway a distributing point.

11300 Mr. Frawley says it is Alberta's submission that if there is, for example a smelting plant in Nova Scotia or in the Province of Quebec that whatever rate is given to one of these, that that rate should become applicable to them all.

Witness says the small shipper should not be denied the equality of treatment to which he is entitled. If lower commodity rates were given to some shippers solely because of the volume of traffic which they provide the railways, certain undesirable consequences would follow.

Vol 59

11317-1 Alberta suggests change in Section 329 (4) of the Railway Act by striking out the words "not subject to the long-and-short-haul clause under the provisions of this Act" and substituting the following words "with reference to the commodity or commodities specified in such tariffs".

11321 Mr. Frawley, on behalf of Alberta, suggests new Competitive Tolls Section to the Railway Act.

11340 Mr. Frawley refers to Section 329 (4) of the Railway Act and calls attention to the fact that before a competitive tariff could be a competitive tariff that the conditions of sub-section (4) of Section 329 had to be complied with.

Refers to opinion of Mr. Coyne, Counsel for the B.T.C., with regard to interpretation of Sub-section 4 of Section 329 and Sub-section 3 of Section 314.

11342 Refers to Section 328 dealing with competitive tariffs.

11343 Mr. Evans says Sub-section (4) of 329 is merely describing what a competitive tariff will do. It does not empower the Board to do anything.

11344 Mr. Frawley refers to Sub-section (4) of 329 as "a pretty antiquated piece of machinery".

11356 In answer to a question by the Chairman "Does an arbitrary always mean a decrease", Mr. Evans says no. The arbitrary is a fixed amount added for the movement in the territory east of Port William.

11359 Mr. Evans says it is his view that the maxima are usually applied on commodity rates and not on class rates. And that the tapering of class rates would be ineffective by any of these maxima, and that there is a great deal of difference in taper on the commodity rates.

11368 Mr. Frawley, on behalf of Alberta, puts into record as part of Alberta's Rate Principles Brief the first eleven pages of the Brief called Regulatory Legislation.

11370 <u>Regulatory Legislation</u>

<u>Essential Elements of the Existing Form of Regulation</u>

11371 Claims the Railway Act does not specify in positive fashion what the general form of the rate structure should be; rather such directives as there were, were negative in form in that they specified certain conditions which should be prohibited in the rate structure.

11371 and
11372 Alberta can accept the principle of minimum regulation as one objective of a sound transportation policy if by that is meant that there should not be regulation merely for the sake of regulation.

11373 A regulation of rates based upon the assumption that the proper field of regulation is the arbitration of differences between carriers and shippers has important weaknesses.

The judgments of the Board may almost be said to have had the effect of restricting complaints to those in which the complainant is able to assert discrimination between competing interests. This limitation, particularly in cases of regional rate differences, effectively rules out complaints by or on behalf of the consumer. Complaints of this type become ineffective if the consumer is required to show that "unjust discrimination" is caused by the differences in rates.

11374 Claims underlying principles of rate regulation in Canada today are based on certain assumptions which are either not borne out by the facts or which lead to unsatisfactory results in practice. Among these assumptions are:

(1) The Board is not concerned with the general form of the rate structure, which should be left as much as possible to develop without interference.

(2) Conflicts of interest which regulation is designed to mediate are primarily those between the carriers and their customers. Complaints of the consumer have a doubtful status.

(3) Rate differences alone are not valid grounds for complaint. In most cases the aggrieved party must show in addition some pecuniary disadvantage.

11375 <u>The Changes Seemed Required</u>

<u>1. Equalization</u>

The absence in the Act of any clear directive to the Board makes it inadvisable that system equalization be put into effect without an accompanying revision of the statute in order to remove the general assumptions underlying the present regulation.

Assumptions which, according to Alberta, should accompany the establishment of equalization in principle:

(1) The general form of the rate structure should be prescribed by statute. The Board's responsibility then would be to maintain that form.

(a) Settlement of conflicts of competing interests are only one part of the general interest which regulation must serve.

(b) The regulation of rates should be governed in the main by standards of comparison which do not go beyond the rates themselves.

11370 Refers to Section 3 (E) of the Maritime Freight Rates Act.

Says the Board has been directed to maintain a certain relationship between the rates in two regions. The effect of this provision is to alter fundamentally the Board's responsibility in rate regulation.

Alberta submits that the Railway Act should be amended so as to establish the Board's responsibility with regard to the form of the rate structure on a basis similar to that which it now has by virtue of the Maritime Freight Rates Act.

11381 Claims by such a prescription of the form of the rate structure in the Statute itself, the B.T.C., for the first time in history, would be in possession of a clear statement of policy from Parliament as to the aims and objectives of regulation in all parts of the country that could be applied unambiguously to the rate structure. It would authorize the B.T.C. to go further than the present minimum concept of regulation whereby rates are published and remain in effect until a complaint is raised.

11392 Mr. Frawley, on behalf of Alberta, suggests new Section 314 to Railway Act dealing with freight tariffs.

11394 Alberta had considered the amendment of Section 314 but now feel that the above Section will be adequate to ensure the concept of equalization which they have in mind and they would, therefore, leave Section 314 (1) unchanged and consider that that Section is to be applied to cases of unjust discrimination.

11398 Mr. Frawley says Alberta does not contemplate any change in the Crow's Nest Pass Rates.

Witness refers to Alberta's proposal regarding equalization and states that in their proposal they are not excluding Crow's Nest Pass Grain Rates from consideration. It is suggested to the Witness that any equalization proposal should give effect to the advantage of Crow's Nest Pass Grain Rates by putting Western rates generally on a position slightly above equality to make up for the advantage they derive under the Crow's Nest Pass Grain Rates. The witness states that in the Alberta proposal they would consider the total position of the East as against the total position of the West both as to cost and revenue.

11400
and
11401 Witness is asked if it is equalization Alberta wants or equalization of earning power between east and west. Witness says Alberta does not want either one in particular. Alberta says that equalization is a position of dead centre, as it were, which should not be disturbed except for very important considerations.

11404 Witness is asked if under Alberta's equalization proposal in order to get equalization between east and west the so-called assumed mileage between Fort William and Winnipeg and between Vancouver and Glacier would either have to be eliminated or that some weight would have to be given in the degree of equality. Witness says that by the use of the distributing rates as the uniform class scale, that practically the same result would be achieved as is achieved by the constructive mileage and that therefore in effect the constructive mileage could be eliminated.

11406 Witness says if equalization involved a greater tapering in the standard rates that would offset or would compensate for the constructive mileage.

11407 Refers to M.F.R.A. which provides that rates may be increased only when costs of transportation in Canada increase. It is suggested to witness that without a change in the M.F.R.A. could not have equality east and west.

11408 In order to make possible the application of Alberta's equality principle to the Maritimes witness says it may be necessary to redefine the statutory advantages as to the reconstituted rate structure. Witness would be in favour of an amendment to the M.F.R.A. if it were a bar to equalization.

11410 It is suggested to the witness that if Alberta's equalization proposal resulted in a reduction in a large number of rates in Western Canada, a second difficulty would be the attitude of the Maritimes where they might claim under their Act that they are entitled to have the benefit of any reduction made in rates elsewhere in Canada. Witness thinks they have framed their proposal in line with what they think is desirable.

11413 Witness says they want the Statute to direct the B.T.U. to bring about equalization.

Witness says they have left places where the B.T.U. is to apply its discretion as to how the equalization goes.

11416 Witness says if anyone has a particular complaint, they can still take it up with the B.T.U.

Asked if Alberta would allow the B.T.U. sufficient discretion to say, after hearing the evidence, we will not equalize those two rates, witness thinks the B.T.U. would have to grant the difference by postulating that the rates

did not belong in the same type, or that there was unjust discrimination. Alberta says if there are any differences, they must be substantively shown.

11421 Alberta says that if the equalization cannot be carried through, the B.T.C. would permit departure from equalization, but not necessarily order a competitive rate to be established.

11426 Witness says that in the sense in which they have used the term in the case of personal discrimination the test which is applied under the present law is whether or not there was unjust discrimination and in the case of regional discrimination this is distinguished on the basis that there ought not to be so-called proof of detriment, or there ought not to be the necessity for proving what is now known as unjust discrimination. Alberta does not say that there should be no proof of detriment, they merely say you cannot use unjust discrimination to remove regional discrimination.

11430 Under Alberta's proposal as to equalization they would not permit a railway to make a rate to develop traffic on a thin density line which was at a lower rate than would apply in some other region where there was a high density unless there were some special conditions which the B.T.C. felt justified that departure.

11431 Alberta's proposal would favour overlooking the original historical reasons justifying variations in certain rates and refuse to give effect to any of those historical circumstances unless they were still controlling to-day.

11435 Geographical dissimilarities or regional differences are no longer to exist under the Alberta proposal unless one of the exceptions is applicable.

11436 Witness does not think that the water competition which in the beginning affected class rates exists to-day and therefore such differences could not be justified by that historical competition.

Vol 60

11487 Feels that carload plates should have in mind that all shippers big and small should have a reasonable chance of using the carload rate.

11490 Thinks this principle of having the desirable minimum carload should over-ride the principle that the car should be filled as nearly to capacity as might be in order to get the carload rate. Qualifies this by inserting that a different situation should exist in times of emergency, such as during war time.

11493 Mr. Crerar refers to decision of the R.T.C. in the Hill case where it refers to the case of Eastern Canada Preserved Foods Associations v. Canadian Freight Association (1928) 33 C.R.C., 179 (the R.T.C.) "has frequently expressed the view, that, subject to the provisions of the Act regarding discrimination, it is within the discretion of the railway companies to meet water competition, but that the railway companies are not to be compelled to get in or maintain rates to meet such water competition."

11500 Witness agrees that so far as the Board's present powers are concerned they have the power to disallow a rate that is non-compensatory.

11507 Mr. Evans on behalf of the C.P.R. suggests that the economic sphere for a truck is in the lower mileages. If there is an economic sphere for the railways it is probably in the very high mileages and between these two spheres there is what might be called the "twilight zone" or the competitive zone where each is a competitor to the other within the economic range of its operation. He goes on to point out that in that zone competition will be felt and will influence the service and the rates of the competitors. The extent to which it is either necessary or desirable to meet that competition within the zone is up to the railways so long as they do not have rates that are not compensatory or rates that the competition does not require.

11530 Mr. Evans thinks that so long as there is a free play of competitive forces unencumbered by non-compensatory rates that that situation is desirable. Mr. Smith suggests that by this Mr. Evans means that he would prefer to discourage rather than to destroy the competition.

11541 Witness suggests a continuous review of competitive rates and agrees that this would entail a more or less continuous way bill study.

11574 Mr. Crerar agrees that Alberta wants mileage equalization to begin with. Secondly Alberta says "however, there are cases where that rule may have to be departed from" and give as an instance competition.

11577 Mr. Evans on behalf of the C.P.R. points out that

the difference between the C.P.R. and the Province of Alberta or anybody else on the question of equalization is as to the practical possibility of complete equalization only.

11639 Mr. Frawley suggests that in the last analysis the consumer is the only one that does suffer because of lack of proper regulation, because he pays the freight rate but the shipper or the man at the freight shed.

11640 Mr. Evans, on behalf of C.P.R., referring to the Maritime Freight Rates Act says "It has been said that the Act prescribes the form of the rate structure, and I say it does nothing of the kind. It does not purport to change the form of the structure at all, it just reduces and gives that preference."

11640 Mr. O'Donnell, on behalf of the C.P.R., refers to the decision of the R.T.C. in the 216 case, Pages 47-51 wherein numerous cases containing the view of the R.T.C. with respect to discrimination may be found.

11640 Mr. R.S. Bolan, K.C., on behalf of the City of Edmonton and City of Calgary, the Calgary Board of Trade and the Edmonton Chamber of Commerce associates those organizations with the long and short haul submission of the Alberta Government.

11640 Submission by the Province of Alberta dealing with the Long and Short Haul Rule.

11641 Mr. Frawley, on behalf of the Province of Alberta, points out that the present Section of the Railway Act, Section 314, Subsection 3, is not considered sufficient by the Province of Alberta and that they want this Section taken out completely and replaced with a new Sub-section which has been prepared by the Province of Alberta.

11643 Witness, Mr. Hu Harries.

Alberta wishes to point out that the burden of their submission is not that there is either more or less discrimination now than in previous years. It is quite true to say that if all discrimination were removed to-morrow they would still find it necessary to bring the evidence contained in this brief before this Royal Commission. Alberta wants to have a principle established. The establishment of this principle does not depend upon contemporary arrangements in the matter of long and short haul discrimination but draws its strength from the fact that this problem is ever present in the Canadian freight rate structure and should consequently receive attention.

11645 Contains Alberta's suggestion of Section 314A to replace 314 (3).

11710
to
11071 Contains the Alberta brief entitled "Long and Short Haul Rule".

Vol 67

11712 Long and short haul discrimination is composed of three elements:

(a) a higher absolute rate for shorter than for longer distances,

(b) shipments of like kinds of freight, and

(c) shipments over the same route in the same direction, the shorter haul being included within the longer.

11713 The explanation of long and short haul discrimination like the explanation of other forms of discrimination, is to be found in the nature of railroad expenses. The fact that a large proportion of a railroad's expenses are constant or overhead costs, which in the short run do not vary with the volume of traffic, provides the key to the explanation. The railroad rates at the intermediate point B may be reasonable, but if competition makes it impossible to carry traffic from A to B at a comparable rate the railway will tend to lower its charge to B and take the movement. The railways will contend that as long as the through rate to B covers the additional expenses it occasions, the railways and all the shippers are better off.

Competition is the leading cause of long and short haul discrimination.

11715 Lists various types of competition.
to
11717

1. Competition between railway routes having similar mileage and costs.

2. Competition of a circuitous rail route with a direct rail route.

3. Competition of a railroad with carriers having lower costs e.g. water, pipeline, etc.

4. Competition due to alternate sources of supply i.e. Market Competition.

11718
to
11732 Gives the administrative history of the long and short haul rule in Canada and refers in particular to the Canadian decisions dealing with the long and short haul discrimination.

11733
to
11746 Deals with the history of the Canadian Trans-continental Freight Rate Structure. It points out

that the Transcontinental freight rate structure has been influenced by competitive conditions since its inception.

Class Rates

The first class rates between Eastern and Western Canada were constructed via Chicago but with the completion of the Canadian Pacific line north of Lake Superior a system of "arbitraries" applying from stations east of Port William to that point was established. These became one factor in the through rate; the other was the local Prairie class rate applying west of the head of the lakes.

11734 The arbitraries to Port William were influenced by the existence of water competition. These arbitraries bore a direct relation to the water charge and presumably were premised upon some concept of a "fair" distribution of traffic between the two types of carriers.

Prior to September 1, 1914, there was a considerable element of long and short haul discrimination in the class rate structure.

11736 This discrimination disappeared in 1914 with the Eastern Rates Case.

11738 Commodity Rates

Until the effective date of the Eastern Rates Case judgment there were no transcontinental competitive commodity rates of importance. After 1914 the growth of transcontinental competitive rates was rapid. These rates were published in sympathy with the comparable American rates which from 1914 to 1917 evidenced the effects of actual and potential Panama Canal traffic.

11749 to 11752 Deals with Competition factors in transcontinental traffic.

11749 With the completion of the first Canadian transcontinental rail road in 1885, the problem of long and short haul discrimination was born. This discrimination resulted from the competition which the Canadian Pacific faced on hauls in either direction across the continent. The competition arose from several sources.

1. American Railway Competition.

11750 There are several types of traffic on which American carrier competition might exist.

(a) goods of Canadian origin moving from one point in Canada to another point in Canada.

11751 (b) Goods of Canadian origin moving to American markets or goods of American origin moving to Canadian markets.

11752 (c) Foreign goods destined to points in either Canada or the United States, and Canadian or American goods destined to foreign ports.

2. Water-carrier Competition.

The competition offered to Canadian railways by American lines is essentially derived competition. It stems from the existence of American water-compelled rates.

11753 Water transport is a potent source of competition because:

(a) water rates are usually less than railroad rates,

(b) water transport in itself is highly competitive, and

(c) it is extremely flexible.

The water competition experienced by Canadian railways has been of three types: inland and seaways; intercoastal; trans-ocean.

11755 The tendency to equalize commercial opportunity in the various parts of the eastern industrial area by the formation of large rate groups has also tended to obscure the pattern which one might expect to find in water rates and rail competitive rates.

11756 The competitive factors in transcontinental traffic appear to fall historically into three distinct periods. These are as follows:-

1.- Prior to the operation of the Panama Canal 1850 to 1917.

Dealt with Pages 11756 and 11757.

2.- Competition from 1918 to 1940.

Dealt with Pages 11757 to 11758.

3.- Competition from 1940 to 1948.

Dealt with Pages 11758 to 11764.

During the 10 years, 1938 to 1948, when water competition was absent the transcontinental competitive commodity rates aside from one general increase of 15% were not substantially altered. There was no substantial alteration in spite of the fact that their continued existence created an obnoxious form of local discrimination at many points between Winnipeg and Vancouver on hundreds of commodities.

11762
to
11766 Deals with the extent and effect of long and short haul discrimination at intermediate points.

11763 The long and short haul discrimination which is created as a result of transcontinental competitive commodity rate structure bears most heavily upon the Province of Alberta. This province, situated in non-competitive territory where it is without the ameliorative effects of American railway competition, is practically in the complete bondage of Canadian rates.

11767
to
11770 Contains a Table showing certain selected commodity items illustrating the extent of long and short haul violations in Alberta.

11770 Alberta claims that on a substantial number of items the Alberta resident pays a higher freight charge than the British Columbia consumer. In a real sense the differential that exists between these charges may be considered as an extra contribution made by the Alberta resident to transportation overhead.

11771
to
11775 Contains extracts from the Transcript of Evidence heard in the Province of Alberta dealing with long and short haul discrimination.

11776
to
11780 Deals with Canadian railroads and the long and short haul rule.

11776 Refers to the view of the C.P.R. as contained in their outline Submission to this Commission Part I, Paragraphs 45 to 50 at pages 15 and 16.

11777 Province of Alberta points out the transcontinental rate structure is not based solely on water competition via the Panama Canal or by any other route. In the submission of Alberta rates which are established to meet market competition are in an entirely different class from rates to meet carrier competition. The logic of market competitive rates carried to its conclusion results in the neutralization of natural advantages, the uneconomic location of industry, the wasteful transportation of products, and other socially and economically undesirable consequences. Many trans-continental rates are established to meet market competition, and Alberta objects most emphatically to any approach which attempts to place the whole trans-continental rate picture into the framework of carrier competition.

11770 Alberta claims that their study of the trans-continental rate structure indicates that as often as not it is boats that meet the railway rates. They go on to point out that if the railways were willing to compete at a much higher level to meet the boats they would be just as successful in getting traffic as they have been.

11780 Refers to Statement in Canadian Pacific Outline of Subdivision "When a railway, by reducing a rate to meet competition, secures or retains some remunerative traffic that it would not otherwise handle, there is benefit both to the shipping public and to the railway."

Alberta says that this is not by any means a certainty. The character of the traffic and of the lines of road over which it moves must be considered. Claims it is quite possible to encounter a situation in which the competitive traffic is such a large percentage of the total traffic and the competition is of such a sustained nature that what would ordinarily appear to be a remunerative rate is not in fact sufficient to cover the total expense of carrying the traffic. Granted, however, that the rate covers all expenses attributable to the movement the matter of collateral losses on this traffic must also be considered.

11781 Contains a summary of the Canadian experience with the long and short haul rule.

Alberta claims it is apparent that long and short haul discrimination has been a continuing characteristic of the transcontinental competitive commodity freight rate structure.

Submits that the disadvantages arising from long and short haul discrimination far outweigh any real advantages that might be claimed.

Claims B.T.C. has exhibited in this matter a passive attitude. Claims no where can evidence be found to indicate that the B.T.C. or its officers have made an adequate attempt to analyze the competitive factors involved or to sufficiently weigh the relative advantages and disadvantages to the railways and to the intermediate points of the lower terminal rates.

Alberta submits that there is a need for a new approach to long and short haul discrimination and specifically as it is found in the transcontinental rate situation.

11782 to 11825 Deals with the American experience in connection with long and short haul discrimination.

11705
to
11738 Deals with the period from 1887 to 1897.

11739
to
11784 Deals with the period from 1897 to 1910.

11785
to
11803 Deals with period from 1910 to 1918.

11804
to
11812 Deals with the period from 1918 to 1932.

11813
to
11817 Deals with the period from 1932 to date.

11817
to
11820 Contains a general summary of the American experience in long and short haul discrimination.

11821
and
11824 Contains the conclusions and recommendations of the Province of Alberta with respect to long and short haul discrimination in Canada.

"It is our submission that in the matter of long and short haul discrimination the practice which has been followed, in dealing with this particular type of discrimination is most unsatisfactory. Deficiencies in the Railway Act and the lack of concise and logical administrative rules established by the regulatory body combine to produce this unsatisfactory condition.

Section 314, subsection 3 of the Railway Act prohibits the practice of long and short haul discrimination unless the Board is satisfied that it is expedient to allow it. It is our submission that this matter of dealing with what is universally recognized as one of the most difficult rate regulation problems leaves much to be desired. We believe that the statute which charges an administrative body with duties as onerous as those of regulating railroad transportation should state the policy of the administration in unmistakably clear language. It is not sufficient to leave wide areas of control in the hands of the appointed tribunal.

In our submission the judgments of the Board of Transport Commissioners in the matter of long and short haul discrimination do not seem to be consistent. No well-defined policy has been established as to when long and short haul discrimination is justifiable and when it is not. In addition long and short haul departures are permitted without investigation.

It would appear that the net effect of leaving such an important phase of policy in the hands of the tribunal has been to permit dissimilar treatment under similar conditions. It would also appear that when the tribunal takes a negative attitude in the matter of such policy the effective determination of these matters in fact passes into the hands of the carriers. In our submission none of these things are desirable.

In Part III of the Brief, we detail the administrative and statutory history of the long and short haul rule in the United States. In that country a solution has been devised which effectively prevents long and short haul discrimination where it cannot be clearly justified, but which permits it where such justification is definitely established.

Recommendations

We submit that this Commission should recommend that long and short haul discrimination in Canada be prohibited subject to the provision that the Board upon formal application of the carrier seeking to practise long and short haul discrimination, after hearing may allow such discrimination provided that the carrier satisfies the Board that:

1. There is active and compelling competition at the competitive point which is beyond the control of the applicant carrier and such competition is absent at the intermediate point.

2. The rate which is proposed for the competitive point more than covers the additional expense incurred by the traffic to which it applies.

3. The rate to the intermediate point is just and reasonable.

4. The rate to the competitive point is not lower than necessary to meet the competition.

5. The carrier can show a reasonable expectation of improved net earnings as a result of charging the competitive rate.

11885
to
11971 In an Appendix setting out certain facts with respect to the determination of reasonable compensatory rates under Section 4 of the Interstate Commerce Commission Act.

11900 Alberta is not asking for an automatic rate adjustment. They are not saying that the rate to-day of $1.40 to Vancouver on canned goods should be made to apply to Calgary. They want more complete administration. They want the railway to obtain the approval of the B.T.C. first before it violates the long and short haul rule.

11908 The witness points out that in the Regina Case the railways applied the competitive rate as maxima to the intermediate point and the B.T.C. upheld the railways' action.

11908 Witness refers to the general freight rates investigation where the matter of transcontinental rates from east to west was being investigated, among other things, and where the Board indicated that it was quite all right if the railways do not choose to blanket back the rate to the intermediate point. Therefore there is one situation where the railways have applied the maxima to the intermediate point and another situation where they have not, and in both cases the Board indicates that the procedure is acceptable. Alberta says that the railways should have these several things approved before they commit a violation of the long and short haul rule.

11909 Mr. Sinclair, for the C.P.R., points out that the railways would not charge more from eastern Canada to Edmonton than the combination of the Vancouver and back haul notwithstanding that the single rate from Eastern Canada to Edmonton might be higher.

11913 Mr. Frasley says that the Alberta proposal as to a new section 314A would not necessarily mean a hearing before the B.T.C. Alberta says there should be approval first by the B.T.C. and indicates the things that the carrier would have to satisfy the Board about before it would be allowed to put in a discriminatory rate.

11924
to
11941 Deals with International Rates and Joint Tariffs.

11942 Witness points out that with goods of Canadian origin moving from one point in Canada to another point in Canada it would be only in very special circumstances that American railway competition would be of significance as carrier competition.

The long and short haul discrimination about which Alberta complains is essentially the discrimination which

takes place on goods originating in Canada and moving to another point in Canada.

The situation concerned with foreign goods destined to points in Canada or in the United States and Canadian or American goods destined to foreign ports, i.e. export and import rates, does not constitute the kind of long and short haul discrimination which is significant.

11971 and 11973 — Mr. O'Donnell, on behalf of the C.P.R., refers to the decision of the B.T.C. in the 311 case at page 31 under the heading "Competitive Rates" which says in part as follows: "Competitive rates to meet water market competition have been under review in a great many cases.

"The Railway Act has express provisions permitting the establishment of competitive rates which will not be subject to the long and short haul clause, i.e. that greater tolls shall not be charged for a shorter than for a longer distance over the same line in the same direction.

"The Railway Act contains specific provisions authorizing a reduced charge on traffic handled to meet competitive conditions without necessitating corresponding reduction in normal rates, and it has been held in numerous decisions of the Board that comparison as between competitive rates and normal rates is no evidence of the unreasonableness of normal rates per se."

11981 to 12033 — Contains the evidence of Professor D.P. Locklin of the University of Illinois, dealing with the American experience in the long haul short haul rule.

12033 — Mr. Mu Harries recalled.

12039 — The witness states his general view as to competition between water carriers is that one carrier which may have an alternative source of revenue from a projected market or for some other reason should not be permitted to make low rates which do not cover the total costs in an effort to meet competition by another carrier who depends on that traffic for his earnings.

12055 — Mr. Frawley is asked if the Province of Alberta would favour a declaration by Parliament of Canada that not only rail but water transportation should be preserved in full vigor. Mr. Frawley replies that the Province of Alberta has not given that particular matter sufficient attention to warrant him in making any observation.

12041 Witness thinks the dependence of two main line railways restricts market competition which can develop in Canada. If there were a number of other railways there would be much more market competition.

12042 Witness says that they have not attempted to deal with the matter whether a particular rate is or is not compensatory. What they are attempting to bring before the Commission is the problem. They are suggesting that a principle which does, in fact, among other things, ask that rates be made compensatory, is as far as they are ~~xxxxxxxxx~~ going to do now. They want the principle established what a rate should be; and they think the particular matter of whether it is or is not compensatory is something to be handled by the R.T.C.

Alberta would be satisfied if the same considerations were applied in Canada as are applied in the United States by the I.C.C. with respect to long haul short haul discrimination.

Vol 62

12994 Mr. O'Donnell explains the position of the C.N.R. with regard to long-haul short-haul "The Canadian National is of the view that the provisions of the Railway Act provide adequate powers for the Board to review, and consider, the disposal of complaints, such as complaints put forward in the Alberta Brief.

12995 Witness, Mr. De Berrian, states that the Regina Case, the General Freight Rates Case, the Central Alberta Dairy Pool Case and the Palisades Coal Case are instances on which Alberta relies as indicating the inconsistency of the B.T.C. in the matter of long and short haul discrimination.

Mr. O'Donnell refers to a decision of the B.T.C. as follows: "In numerous decisions of the Board competition as between competitive rates and normal rates is an evidence of the unreasonableness of normal rates per se."

12997 Witness states he does not know of any instance in which a truck competition created long and short haul discrimination because the very nature of the truck traffic would seem to give you a prima facie case against that.

12998 It is pointed out to the witness that under the proposal of Alberta that the delay entailed by coming to the B.T.C. for approval would have to be suffered by the railway.

12999 Witness says that Alberta's contention is that active competition exists when there is, first, a competitive movement, or, second, that there is a reasonable likelihood to forestall it.

13007 Witness suggests that an example of active and compelling competition would be where someone had threatened to build a pipe line and the railways after studying the economics of it felt that they could move the product at such and such a rate and so on, even although the pipe line had not come into being.

13008 Witness points out that their proposal with regard to long and short haul discrimination would not have any effect on the agreed charges section of the Transport Act because Alberta's recommendation is that agreed charges should be removed.

13090 Witness submits that transcontinental rates have an injurious effect on business. Alberta's main concern lies not in the class rates but in the competitive commodity rates.

13091 Alberta's contention is that the transcontinental rates are where the most flagrant discrimination is found.

13005 The witness is asked what Alberta means by the statement that the railways should not be permitted to publish a competitive rate which does not cover "total cost of the movement". The witness gives as his answer "Well the cost that is occasioned by moving that particular traffic".

Q. So that what you mean is the amount that would be saved by the railways if they did not move the traffic?

A. Yes, I think that would be a fair way of putting it.

Q. And so, therefore, it means out-of-pocket costs?

A. No, it does not.

Q. Does it mean out-of-pocket costs plus a proportionate share of constant cost including a share of return on investment?

A. It depends on the particular movement and the character of the movement.

13006 The witness is asked -

Q. And you would not allow the railways to publish a competitive rate to meet truck competition unless that rate was of such a level as to recover for the railways their out-of-pocket costs on transportation, a proportion of the constant cost including a return on investment.

A. I say it would have to be very near to that level.

13007 The witness thinks that different competitive situations require that either more or less of the total cost picture be considered when you are determining whether the rate is covering its costs.

13008 According to the witness the concept of cost that you use in meeting competition depends upon the proportion that the competitive traffic is of the total traffic, the continuance of that competitive traffic and other factors of that nature.

13013 Alberta believes that it is not sufficient to leave the matter of long and short haul discrimination up to the railways. They believe further that it is not sufficient to leave the matter under the present Section 314, Subsection B and that is why they are proposing their amendment 314A.

[illegible] to [illegible]

Deals in detail with the long haul-short haul discrimination and contains some of Mr. Sinclair's cross examination of Mr. Harries.

[illegible] to [illegible]

Deals with transcontinental rates insofar as they involve long haul-short haul discrimination and is also the cross examination by Mr. Sinclair of Mr. Harries.

13072

Reference is made to the Memphis Oil Case, 216 I.C.C. 105 at 110 which was decided in the light of declared policy of Congress that both water and rail traffic should remain in vigour.

13075

In this case the I.C.C. said "Rail carriers should take the initiative in revising their rates to meet actual or threatened competition by other carrier agencies".

13075

Mr. Hepard, on behalf of the Province of Manitoba, indicates their view in relation to the long and short haul question, particularly with respect to the position taken by the Province of Alberta. Manitoba's position is as follows:

"Now, it may be more, Mr. Chairman, as a matter of argument, but I did think it was appropriate to have on the record the reference to the Manitoba submission on transcontinental rates, which starts on Page 121 of our printed submission, and it enumerates three criteria, and our technical advisers advise that they can see no conflict between these three criteria and the five put forward in Alberta's brief; and I am instructed to say that we are supporting Alberta's position on this brief."

13078

Mr. Crawley explains the position of the Province of Alberta to-day as is exemplified by its brief and by the evidence of Mr. Harries and Professor Locklin, is that they wish to have introduced into the Railway Act a proper long haul-short haul rule, with [illegible] given to the R.T.C. and then once that section is operative Alberta would be content whether it means increasing the port rate to the Alberta rate, lowering the Alberta rate to the port rate, or something in between.

[illegible]

The witness, Mr. Harries, is asked what tests they would propose to use to determine the compensatory nature of rates under their long haul-short haul proposed amendment. Alberta takes the position that the procedures which have been used in the U.S. would be satisfactory in Canada.

13061 Mr. Barry, on behalf of the Province of New Brunswick, outlines the position of his Province with respect to the Alberta proposal as follows:

"Mr. Chairman, since the provinces have expressed their opinion, on behalf of New Brunswick I wish to express opposition to the amendments especially as drafted. We are quite prepared that there should be some control of the railways, but not to the extent that they will be a prey for any competition that would take all their business from them, by requiring them to fulfill what appear to be the impossible conditions under Section 334 as proposed, which will only result in number rate application for an increase, but we have had enough of those already."

13092 Professor Locklin points out that in the I.C.C. with respect to long and short haul discrimination there were two major changes in regislation. In 1910 the big change was that the discretion was given and a substantive application required for relief. In 1920 a second change occurred, that rates must be reasonably compensatory and that no effect could be given to potential competition.

13103 Witness refers to the question of market competition and points out that it can lead to a great deal of waste in transportation. The witness does not make any distinction between market competition from producers within a country and market competition from producers outside that country.

13105 Professor Locklin is asked his opinion as to whether the authority of the executive branch of Government over the R.T.C. should be increased to the point where the executive branch of Government could override the decisions of the Commission. Professor Locklin explains that he is not in a position to give an answer on this question since it would involve the structure of Government and constitutional law. He thinks, however, that in so far as the situation in the U.S. is concerned he would be opposed to such a situation.

13106 Professor Locklin agrees that his position with his background in American Government would be that he would agree that the legislative branch must always be free and it would be a bad thing for the executive branch to intervene in the findings and the decisions of the regulatory tribunal which has the power of regulating railways and their rates.

13111 Professor Locklin agrees that low rates tend to produce the geographic divisions of labour and sometimes tend to longer hauls, and in that way produce, even through a low level of rates, a higher proportion of the price than would otherwise be the case represented by transportation charges.

Witness is asked his views with reference to the rate base for a railway or utility and whether actual cost is the desirable or the conservative method, speaking of the actual cost of use, and useful assets, of arriving at a rate base for a railway property that is more desirable than the cost of production and the witness agrees with this suggestion.

1311 The witness agrees that in most instances when it comes to arriving at a rate base and assuming the original cost is in proper to deduct normal depreciation to arrive at your net rate base. He also agrees that certainly this is the case where normal depreciation has been recovered through charges to operating expenses.

Vol 63

WITNESS - Professor D.P. Locklin

13114 Refers to Section 500 of the U.S. Transportation Act which sets out what is declared to be the policy of Congress with regard to national transportation.

13115 In the U.S. water transportation agencies as well as rail transportation agencies are controlled by the I.C.C. There are so many exemptions from the provisions of the Act with regard to water carriers that actually only a rather small proportion of water movement is subject to regulation.

Interstate trucking is controlled by I.C.C.

In adjusting rates between rail transportation and other modes of transportation the I.C.C. does have certain control over the various transportation agencies.

13116 Complete co-ordination of transportation facilities could not be obtained without unified regulation.

Does not think it proper that one of the principal transportation agencies - the railways - should be very rigidly controlled and that competing agencies and particularly trucks and even water transportation should be free of control so that they may adjust their rates as and when they please in competition with the railways.

Does not think that water transportation or motor transportation should be regulated for the purpose of protecting the railroads although witness points out in the U.S. such regulation to some extent probably incidentally benefits the railroads.

13117 Witness states that when you have a highly competitive situation between the different modes of transportation he believes it is necessary to exercise some control over those relationships in order to prevent uneconomical diversions of traffic or carrying of traffic by agencies that are not suited to carry it, to some degree.

I.C.C. has found it necessary on occasions to use its minimum rate power to check rate cutting between the different modes of transportation.

13118 The witness states that the object of control is not for the purpose of keeping all the various transportation agencies in operation. He says that the object of regulation is to prevent undesirable practices by the various modes of transportation. Suggests there is an obligation on the part of the I.C.C. to try to maintain an adequate transportation system, which implies that an adequate transportation system must be supported in some way.

15132 Witness states that in the U.S. railways are not freely permitted to acquire competing highway motor carrier services under the Motor Carrier Act.

15133 In the U.S. there is no similar provision to the agreed charges in Canada.

The administration of the Motor Carrier Act in the U.S. does not involve the application of any so called spheres of operation for common carriers by motor vehicle.

Witness states "so far as motor transport is concerned it is my personal view that the type of service provided by motor trucks is a type of service that is very beneficial to the public. They want it, they are entitled to it. There might possibly be some situations under which it might be necessary to restrict that, in order to protect some other mode of transportation but I think the situation would be very, very rare."

15134 In the U.S. where licenses are granted to motor carriers the rates are prescribed for interstate trucking. The rates are filed and must be observed by the truckers.

15136 Mr. Evans, on behalf of the C.P.R., suggests to the witness that where the demand for a commodity is inelastic there is a greater tendency to reflect the rate in the ultimate price of the goods and therefore pass it on to the consumer and that a general change in freight rates is more likely to produce this result than a change in the specific rate. Witness agrees with this suggestion.

15143 In the U.S. a railroad is not permitted to acquire control of a competing highway transportation but a railway is entitled to operate so called auxiliary services or key-point operations. This means the railroads are permitted to either engage in certain types of motor carrier operations themselves or acquire control of existing motor carriers under certain conditions when the service is more or less of a type that is auxiliary to the rail service.

15146 If a railway desires to acquire a motor truck line it must apply to the I.C.C. to do so. The I.C.C. does not regulate non-for-hire trucking, that is, the private commercial vehicle except in regard to safety regulations.

15146 Witness does not think it is possible to define an area or field or an economic sphere for the purpose of defining or limiting trucking to such a field - certainly not on a mileage basis. There are some commodities that obviously can not be transported very far by truck, say coal. There are other commodities that can be transported a long distance, household goods

for instance are transported across the continent by trucks. The witness gives as his opinion that the only thing at the present time that limits trucking is the cost to the individual of doing it and the witness thinks that this is the way it should be.

13142 Contains a proposed amendment to provide for a new Section 314a to the Railway Act.

13155 Witness points out that in the U.S. in case of long haul short haul discrimination that as a matter of policy while the I.C.C. grants 4th section relief when substantially the conditions contained therein are shown, it certainly has the power to deny relief even if they are shown.

13157 Witness says that the I.C.C. is fairly lenient in interpreting the phrase "actual competition" but goes on to point out that the liberal exclusion of potential competition under the I.C.C. Act seems to be going too far except as it has been modified by a rather liberal construction by the I.C.C.

13159 and 13160 Refers to a study entitled "Practices and Procedures of Governmental Control" published as a House Document of the 78th U.S. Congress, which states as follows: "Application for relief from the provisions of the 4th Section upon receipt, are examined immediately to see that they comply with the regulations of the I.C.C. with respect to form and content, and they are then acknowledged, recorded, and docketed, each being numbered in the order in which they are received. .....each application is studied to determine the necessity and justification for the relief prayed, and an investigation is made, so far as practicable from the records and information in possession of the Commission, of the alleged facts and circumstances presented in support of the relief prayed.

13161 and 13162 Gives figures with regard to the disposition of 4th Section applications by the I.C.C. in the months of November, 1940, February May and August, 1941.

13174 Witness does not think there would be any great difficulty in determining whether a rate was compensatory as a competitive rate in the case of a long haul than it is in the case of a short haul.

13176 Witness says there is in the I.C.C./4th Section Board but does not think that 4th Section relief cases require a very large staff.

13179 Witness points out that in many cases 4th Section relief is granted to meet competition of carriers whose rates are not published. Relief is sometimes granted to enable the carriers to meet competition of private trucks.

13186 In a few instances the I.C.C. grants what is called flexible relief, that is it will allow the carrier to reduce its rates to meet say water competition and then provide that if the rates of the water carrier are reduced the railroad may further reduce its rates, maintaining a certain differential. Then the I.C.C. will naturally fix a floor below which the railroad could not reduce the rate.

Witness points out there is provision in the I.C.C. act that if a railroad reduces its rate to meet water competition and then water competition disappears the carrier may not reduce the rate without showing that there is some justification for it other than the elimination of water competition.

13188 to 13219 Contains the Alberta Submission with regard to <u>Interline Rates</u>.

It is pointed out that no problem of excessive charges would arise here if it were not for the fact that nearly all freight rates are tapered for distance. The rate for the lowest mileage block is relatively high - this has been explained as an allowance for terminal expenses which do not vary with distance and are involved in all hauls - while the increments for the following mileage blocks become successively smaller as the distance increases.

13203 The methods used in making the interline rates can be classified according to three general types.

(1) Straight combinations of local rates, made over the interchange point that produces the lowest rate.

(2) Rate calculated on through mileage over shortest route over which carried traffic can be interchanged, i.e. by treating all lines as part of the same system, regardless of the number of individual railroads concerned.

(3) Methods intermediate to (1) and (2):

(a) Rates with through mileage used as basis, with arbitraries added for two-line hauls.

(b) Combination of local rates used as basis with arbitraries deducted on interline hauls.

13214 In the U.S. substantial progress has been made toward making interline rates on the same basis as single line rates, both territorially and inter-territorially. On the other hand no uniform method of making interline rates has ever been adopted in Canada.

13234
to
13236 Deals with interline class rates in Canada.

13237 Deals with interline commodity rates in Canada.

13213
to
13216 On the question of interchange points it is states as follows: "With the growing economic development of the Prairie Provinces, the establishment of interline rates and the providing of sufficient interchange points has become of increasing importance since the growth of intra-Prairie traffic is one consequence of that development."

13218
and
13219 <u>Recommendations</u>

"It is submitted that interline class and commodity rates in Canada should be established on the basis of through mileage via the shortest distance over which carload traffic can be moved without transfer of lading. To assure the use of the most direct routes in calculating interline rates, interchange points should be established at all strategic points which the two systems have in common."

"The establishment of a thorough-going system of interline rates will go far to remove many local disabilities in all parts of the country and place non-competitive points at a much less disadvantage relative to competitive points. It will have the effect of providing non-competitive points with alternative routings at lower rates so that the advantages now possessed mainly by competitive points will also accrue in some degree to non-competitive points."

"As long as interterritorial traffic between East and West comprised the greater part of the traffic moving in Prairie territory it might have been possible to maintain that the lack of interline rates involved no serious disadvantages. But with the growth of secondary industries, more specialized agricultural production, and the expanding local markets to absorb production, the situation in Western Canada today is fundamentally different from that when the rate structure was originally developed. Regardless of the stage of economic development reached, however, it is submitted that in its lack of complete system of interline rates the present rate structure is obsolete."

13231 to 13234 Contains Alberta's submissions with regard to the freight classification.

13231 Submission states "The freight classification exemplifies a method of rate making that may be termed "commodity discrimination". Under this principle the actual cost of service is largely, though not entirely, disregarded and the various commodities are assigned to the different classes on a basis of "what the traffic will bear". .....While not necessarily approving in all cases the present distribution of commodities in the classification, the present Submission does not question the general reasonableness of this type of commodity discrimination in rate making."

13234 Alberta's recommendations with regard to the freight classification are as follows:-

(1) The Canadian Freight Classification should be revised to provide classes on the percentage basis using first class as Class 100.

(2) A greater number of classes, particularly below Class 50, should be published to enable a greater degree of refinement in classification to be obtained in subsequent revisions of the classifications. By this means the class rates could be made more responsive to changing conditions and kept in closer alignment with rates that actually move the traffic.

(3) The relationship between the present classes should follow the Prairie basis rather than the Ontario-Quebec basis.

13237 to 13241 Contains Alberta's submissions with regard to the carload mixing rule.

13237 Since 1904 a different mixing rule has applied in Western Canada from that in Eastern Canada. In Eastern Canada the mixing rule is unrestricted, that is to say, any combination of commodities may be shipped at the carload rate applicable on the highest rated commodity in the shipment. The minimum weight on shipment of mixed commodities is the highest provided for any of the articles in the carload.

In Western Canada and on traffic moving between Eastern and Western Canada mixing is permitted only of commodities classified under "distinctive headings" in the Canadian Freight Classification.

13237 Alberta's position is that the unrestricted mixing rule now in effect in Eastern Canada should be extended to Western Canada.

"That the restriction on mixing places the small shipper or consignee at a disadvantage relative to the large shipper or it can have either or both of two effects: (1) increase the freight charges because of the necessarily greater use of less-than-carload rates; or (2) give rise to shipping arrangements designed to avoid payment of full less-than-carload rates."

13238 and 13239 "There are several reasons, however, why the effect of the restricted mixing rule should not be over-estimated. The wholesale distributing organization in Eastern Canada performs many essential functions in the economy of Western Canada. Its position is not a precarious one maintained only with the aid of the restricted mixing rule. The fact that Eastern Canada has been and will continue to be the main source of supply of most manufactured articles means that there will always be the problems of distance and the time of delivery between manufacturer and retailer which will sustain the demand for the usual services performed by wholesalers: variety of stock, credit facilities, quick delivery, and also in acting as manufacturers' agents."

13240 Refers to the U.S. practice and points out that mixing rules in the U.S. are uniform or similar to those in effect in Eastern Canada.

13241 Alberta summarizes the situation as follows:

"In summary, the restricted mixing rule in Eastern Canada is a handicap to the free flow of traffic under non-discriminatory conditions. Although it was imposed in the first place primarily to protect the Western distributors' position in the trade between Eastern and Western Canada, it also applies on traffic within Western Canada and between Western Canada and the United States. It is not an indispensable condition for the existence of the distributing trade in Western Canada, since that trade owes its present position to economic reasons of a more fundamental nature. The mixing rule in its present form discriminates against small business and the consumer in Western Canada. For these reasons the restricted mixing rule applying in Western Canada should be cancelled, and the unrestricted mixing rule now in effect in Eastern Canada should be applied uniformly in all parts of Canada."

13246 to 13294 — Contains the cross examination of the witness, Mr. Darling, dealing with the subject of interline rates.

13294 to 13300 — Contains the cross examination of the witness, Mr. Darling, dealing with the freight classification or class rates. He points out that this submission is not to be classed as a grievance, but merely a recommendation regarding the change in the form of the class rates.

13296 — Alberta is simply submitting that the number of classes should be increased according to need by their proposed percentage system.

13300 to 13303 — Contains the cross examination of the witness, Mr. Darling, dealing with the carload mixing rule.

13323 to 13358 — Contains the submission of the Province of Alberta dealing with highway transportation.

13331 to 13333 — Deals with the regulation and control of highway transport.

13331 — Alberta suggests that a discussion of the regulation and control of highway transport must recognize two distinct divisions of the subject. The first division deals with regulations and controls which are designed to protect the highways and users of the highways. The second includes regulations designed to control the business aspects of highway transport. Alberta suggests that the first type of control is non-economic because it is not specific and constitutes part of a general overall pattern of government supervision, deemed necessary for the general good. Alberta believes this type of regulation is both necessary and desirable in the interests of public convenience.

13332 — The second division of the subject, namely control of the business aspects, is essentially separate from safety and highway protection. Regulations designed to control the business aspects of highway transport have long been demanded by certain interest groups. The general appeal of these demands has not been very great. A study of the matter indicates that there are sound reasons for not endorsing general highway transport control.

13333 — Alberta states that any legitimate demand for the control of highway transport must provide for the assumption that unregulated or non-uniformly regulated highway transport markets function unsatisfactorily in terms of economic results. An attendant assumption is that public control will remedy these undesirable market results.

13334 The submission states "In the trucking industry there are typically a large number of firms in the business and a large number of people demanding service. The capital requirements are small and the economies of scale are not appreciable, so ease of entry is assured and large consolidations unlikely. The high ratio of costs which are variable, even in short periods, has the further effect of making prices and costs approach parity. All these facts point to the conclusion that truck transport is competitive and in terms of criterion satisfactory. What then nurtures the demand for business regulation?"

"The demand for business regulation of highway transport arises because of the alleged destructiveness of the competition which it brings to the transport industry."

13338 The submission points out that other transport agencies, themselves controlled, have been strong in their demands to have general control instituted over highway transport. Alberta contends it is unsound to suggest "railways are controlled therefore trucks should be" unless it can be shown that highway transport is in an analagous position to rail transport. It must also be shown that railways are placed at a disadvantage which can best be remedied by imposing control on highway transport.

13339 Alberta contends that highway transport is generally competitive while rail transportation is generally monopolistic.

Alberta does not accept the validity of contentions made by the railways and others to the effect that unlimited highway transport creates unfair competition, concerning such things as picking and choosing the cream of the traffic, public subsidisation of highway transport and the lower costs of the railroad.

13339 to 13340 Indicates the control of highway transport in Alberta and refers to the legislation in force.

Alberta suggests that control of highway transport in that province is carried to the point where the shipper and the general public receive adequate protection without losing the desirable effects of price competition.

13334 Contains proposed statutory changes in regard to rate relationships prepared by the Province of Alberta - proposed new Section 321A of the Railway Act. Also stop-off privileges - proposed new Section 316A, also developmental rates - proposed new Section 316B.

13335 to 13359 Contains a brief submitted from the Saskatchewan Association of Rural Municipalities which in fact is an unqualified endorsement of the submission and recommendati contained in the brief of the Saskatchewan Government.

Vol XX 64

Submission of Canadian Pacific Railway Company
Witness - Mr. George A. Walker, K.C.

13362 Assumption made that it is in the best interests of Canada that the C.P.R. should continue to function as a privately-owned system.

13366 Refers to obligation which the C.P.R. assumed by the terms of the contract to "forever efficiently maintain, work, and run the C.P.R.". Carried with it as a necessary corollary the right of administrative control of the undertaking.

13367 Refers to suggestions which have been made for more control by executive arm of the Government and subsidization of C.P.R. if necessary. Mr. Walker points out that such a policy of railway regulation, if applied to the C.P.R., would inevitably lead to its destruction as a private enterprise.

13368 "Any proposal which exposed the Tribunal's decisions to being overridden by the executive arm of Government, reacting to political pressure or the influence of pressure groups would result in injustice, in a lowered standard of public service and ultimately in the extinction or nationalization of the enterprise itself. Such a proposal would tend towards a return to the unsatisfactory system of regulation of railways which existed prior to 1903, the weaknesses of which resulted in the establishment of the Board of Railway Commissioners"

13375 Queries advisability of revising capital structure of C.N.R. if any recommendation by this Commission would result in irreparable injury to the C.P.R.

13375-83 Mr. Walker refers to passages from the Drayton-Acworth Report which he suggests are of interest and have a direct bearing upon the C.N.R. submission.

13383 Refers to value of C.P.R. common stock - par value $25.00 per share, market value today approximately $17.00 per share. Since 1930 the stock has sold as low as $4.00 per share.

Also refers to fact that C.P.R. has had sanction of Governor in Council since 1930 to increase its ordinary stock from $335,000,000 to $500,000,000, subject to the condition that none should be issued at less than par, but points out that market value of stock has never been at par and hence sale of stock under these conditions has been impracticable. C.P.R. also feel that even if parliamentary permission was obtained to issue stock at less than par, that sacrifice would be so great as to make the sale impracticable.

13386 Refers to C.N.R. mileage and points out that much of it is unprofitable. Refers to page 70 of C.N.R. submission where stated that out of a total of 23,300 miles that only 10,500 or 45% had a traffic density of over 1,500,000 gross ton miles per mile in 1948, leaving 55% of lesser density.

C.P.R. had a total mileage of 18,400 miles operated in 1948, of which 8,600 miles, or 47%, had a traffic density exceeding 1,500,000 gross ton miles per mile and of which 9,800 miles or 53% had a traffic density below that figure.

In the mileage of unprofitable lines, C.N.R. have 5,700 miles or 24.4% with a traffic density below

Nationalization of Canadian Pacific
William Lyon Mackenzie King, Ottawa, C.P.

Conspicuous made than it is in the West Lumpenproletariat of Canada when the C.P.R. should continue to function as a privately-owned system.

Terms to collaboration which the C.N.R. assumed by the terms of the contract to "furnish efficiency balance", are now due C.P.R.. Dealing with it on a contractual basis the right of administrative control of the undertaking.

Reforms to organizations which have been made for more accurate by economies are of the government and administration of C.P.R. if necessary. Mr. Bennett said that that such a policy of railway regulation, if applied to the C.P.R., would inevitably lead to the nationalization as a private enterprise.

Was proposed which as need the Dominion's money to be being overtaken by the executive arm of Government, nationalization by public load pressure on the Dominion government. Government would result in injurious, in a financial sense of public service and ultimately in the nationalization or nationalization of the entire line. Such a proposal would tend to be a return to the unsatisfactory system of regulation of railways which existed prior to 1903, the weaknesses of which resulted in the establishment of the Board of Railway Commissioners.

CANADIAN RESPONSIBILITY to provide capital where the C.P.R. if any recommendation by this commission would result in irreparable injury to the C.P.R.

Mr. Bennett refers to passages from the Dominion-Canadian which be suggests are of interest and have a direct bearing upon the C.P.R. situation.

Reference to value of C.P.R. common stock - was $40.00 per share, current value today approximately $17.00 per share. Since 1930 the stock has ranged from $4.00 per share.

Also reference to stock debt C.P.R. has been reduced by Government in Council since 1930 to increase the capital stock from $400,000,000 to $500,000,000, subject to the condition that there should be issued at less than par, not points out that current value of stock is about $4 per and hence sale of stock under these conditions has been impossible. C.P.R. also had debt even if satisfactory permission was obtained to issue stock at less than par, that possibility would be so great as to make the sale impossible.

Return to C.P.R. mileage and points out that such or it is unprofitable. Reference to page 70 of C.P.R. statement on where revenue that out of a total of 23,000 miles that only 16,000 or 44% had a traffic density of over 1,000,000 gross ton miles per mile in 1929, leaving 56% of lesser density.

C.P.R. had a total mileage of 18,000 miles equivalent in 1930, of which 9,000 miles, or 47%, had a traffic density exceeding 1,000,000 gross ton miles per mile and 1,000,000 miles or 6% had a traffic density

250,000 gross ton miles per mile, and the C.P.R. 4,400 miles, or 24% of the same character.

13391 Points out that C.P.R. can only borrow on a highly competitive money market, and that if it is to provide efficient and modern services, it must earn consistently a reasonable return on the substantial investment in the railway enterprise. Its losses must be borne by the shareholders.

Claims that the inadequate level of freight rates has been a most material factor in contributing to the present unsatisfactory results in the case of both the C.N.R. and C.P.R.

13392 Suggests that unless full weight be given to this major cause of the unsatisfactory operating results of both systems, it must be obvious that the already grave problems of the C.P.R. will be still further aggravated.

Refers to fact that since 1914 B.T.C. has treated operating results of C.P.R. as the yardstick for the measurement of just and reasonable rates.

13393 Points out danger of using C.N.R. as the yardstick as far as C.P.R. is concerned. The basis of this danger is that its requirements should be limited to earning its fixed charges (after these have been substantially reduced) and a small surplus, without any assurance or direction that the system should and must be allowed to earn a fair return on the investment in railway facilities.

Such a situation would inevitably prevent the C.P.R. from earning any return on the capital invested in its railway enterprise, permanently impair its credit, and, it is stated, ultimately result in its bankruptcy.

13394 Urges that the first and essential step to be taken is to establish a just and reasonable rate level related to the enormous increase in the costs of transportation and thus to remove the disability from which the C.N.R. in common with the C.P.R. is suffering.

13395 Points out that C.P.R. does not want to be taken over by the Government nor does it seek or desire Government subsidies of any kind. C.P.R. wants the opportunity to survive on the accepted principles of free enterprise, as these are applied to the regulation of public utilities.

13399 Witness points out that he is opposed to a rate-regulating board being directly under the control of a minister of the Crown with respect to its rate-making powers. It was suggested to the witness that the Air Transport Board presently functions in such a way under the Governor-in-Council, and witness repeats that he disagrees with this principle.

13402 Witness points out that so long as the freight rate is level and reasonable, that it does not make any difference whether rates go up 50% or 100%. The main thing is that the base must be reasonable. Refers to fact that practically every other commodity in Canada is selling not at 50%, but at 60% to 70% of its current price in 1939 and the railways are having to pay these prices.

13408 Witness suggests that railroads are in the danger zone when their funded debt exceeds 50% of their total capitalization, and gives his reason for this statement as follows:

"Because in good times you have no difficulty at all in meeting your fixed charges. But anything approaching a depression reduces your gross earnings at a tremendously rapid rate and consequently your net earnings. Therefore, in times of depression, if your funded debt is out of line you cannot pay your fixed charges, and you become bankrupt."

Witness indicates that he is opposed to raising funds through Government guaranteed bonds, as this is the first step in ceasing to be a private enterprise.

13409 Claims that salvation of C.P.R. lines in the restoration of its credit to the point where it can sell share capital.

13410-11 Refers to submission of C.P.R. page 1 of Part I:

"The essential problem can, in our view, be simply stated, that is to say: How the people of Canada can be furnished adequate and modern transportation services at the lowest possible cost to the nation and without unnecessary or uneconomic consumption of labour and materials."

13415 Witness admits that one of the functions of the B.T.C. is to police the standard of service provided by the railways of Canada, and to control that standard, but points out that this must be on the basis that the railways have a level of rates which will enable them to comply with those standards.

13416 C.P.R. believes in the equality of freight rates throughout the whole country as being the only method by which the transportation burden can be fairly borne.

13418 C.P.R. does not quarrel with rate regulation, but claims they should have the same opportunity that any other public utility has to meet competition when it arises. If they fail to meet competition the general railway burden on the country would be infinitely greater because the country as a whole must bear the cost of rail transportation. If freight is carried at a competitive rate which pays all the actual out-of-pocket costs, and in addition makes some contribution to overhead costs of the railway, it is in the benefit of every shipper in Canada, not merely the person who enjoys the competitive rate.

13422 On being questioned by Dr. Innis as to what sort of board there should be which would prevent the railways from being too closely regulated, and at the same time protect them from the type of political controversy that would hamper, the witness answers as follows:

"I think the answer to the question is that if you have an administrative tribunal which is judicial and impartial in its administration, then there is no field at all for the interference of government or politics."

13423 Suggests that if you have a strong enough tribunal and an explicit statute, you should be free from political interference.

13425 Witness suggests that there must be a stultifying effect on any administrative tribunal whose mandate in terms says that they are to have exclusive jurisdiction to determine questions arising under the Railway Act, and then in the same breath the statute allows an appeal to a body which universally over the years in the opinion of the witness, has admitted its/ill capacity to soundly review the Board's decisions.

13436 C.P.R. does not suggest the Crow's Nest Pass Act should be repealed in relief of the C.P.R. All it has suggested is that the result of that statute, as it has been expanded by subsequent legislation and as the application of the rates has been expanded by decisions of the B.T.C., throws an unfair burden on the rest of the commerce of the country.

13450 Mr. O'Donnell points out that there has hot been an operating deficit on the C.N.R. since 1923, but that any deficits that there have been, have been due to heavy fixed charges.

13455 Mr. Walker points out his objection to the Dominion Government spending $300,000,000 on a transcontinental highway to compete with their own railway, and which will make transcontinental trucking possible. He also suggests that the truckers will not even pay an infinitesimal fraction of 1% of the cost of that highway.

13460 Witness claims it is quite right and proper that earnings from non-railway enterprises should be retained separate and apart from transportation earnings, and that it does not matter how wealthy the company may be as a result of this investment or its communication profits ot hotel profits; nevertheless it should be entitled to go to the regulatory body and prove financial need arising solely out of the transportation portion of its business.

13461 With reference to the revenue and the capital of the C.N.R., Mr. Walker points out that there would be no objection on the part of the C.P.R. if the investment in railway facilities of the C.N.R. is properly represented either by share capital or funded debt. The C.P.R. has no concern with the proportion of the funded debt and the proportion of share capital provided that the C.N.R. is under obligation, as any other private railway company must be, to earn a fair return on the capital investment.

13472 Witness suggests that if the freight rates were increased that it would be possible for the C.N.R. to rehabilitate itself.

13473 Witness says; "I do not think it makes any difference really, since the Canadian National cannot go bankrupt, whether the money is applied to the payment of fixed charges, funded debt or stock. The difficulty with regard to a private enterprise is that if their fixed charges were on a comparable basis, in times of depression they would go bankrupt, but the Canadian National cannot go bankrupt unless the Government goes bankrupt, which is not a likely probability."

13475 Mr. Walker suggests that the freight rate level should be such that the C.N.R. should be allowed to earn a fixed charge over and above the net operating income.

13476 Suggests that it is no concern of the C.P.R. if the fixed charges of the C.N.R. are reduced, provided it is accompanied by a declaration that no matter what the amount of the fixed charges, the Canadian National should be entitled, if it is to be used as a yardstick for the measurement of freight rates, to earn a fair return on the proper investment in railway facilities.

Thinks it would be very desirable and proper recommendation for this Commission to make a recommendation that the Railway Act should be amended to provide guidance to the B.T.C. in dealing with general freight rate cases, and that provision should be made for a fair rate of return.

13479 The submission of the C.P.R. is that the rate of return should be fixed by the B.T.C.

It is also the C.P.R. submission that the rate basis should be the book value less depreciation.

13480 C.P.R. Does not make any submission about what the rate basis on the C.N.R. should be.

13481 Mr. Evans for C.P.R. suggests that there might be two different rates of return, one for each railway.

13483 Referring to the capital structure of the C.N.R. Mr. Evans points out that the position of the C.P.R. is as follows:

"Our position is two fold; the first point, you, in his view, should bear in mind that the rate level is now inadequate and that you ought not to lose track of the effect of too low a rate level on the position as affecting the advisability of changes in the capital structure. And, secondly, that if a decision should be reached to reduce or revise the capital structure, some provision should accompany that for the protection of the private competitor so that the Canadian National, if it becomes the yardstick, should be permitted to earn a return on its capital which is not represented by the funded debt as revised."

13488 C.P.R. does not take the position that the capital structure fixes the rate base.

13490 Mr. Evans claims that the difficulty of the railways with the B.T.C. is that they do not get an increase in freight rates fast enough whereas they get the decline much too quickly.

13498 Mr. Walker thinks that the accounting system of the American railroads gives them a proper picture of their passenger operations on an arbitrary or statistical basis, but does not think it has any practical advantage one way or the other.

13498 Does not think that Canadian railroads would be better off without the necessity of operating passenger service because passenger service has a very great influence on the patronage of railways by freight shippers.

13500 States that passenger revenues exceed the allocable expenses for train operation, but points out difficulty of arriving at the extent to which passenger revenues cover other expenses.

13502 Regarding express operations, the express earnings after taking out merely the express company's operating expenses, all go to the railway, and are taken into the rail accounts and reflected in rail revenues. Earnings of the express company from the sale of commercial paper like money orders, etc., are treated as other income of the express company, and is paid out in dividends by the express company on their stock if there is any surplus.

13504 Mr. Brazier for the Province of British Columbia claims that the question of what is other income and what is railway income should not be left up to the railway itself, but rather should be a problem that is decided by the B.T.C.

13514-15 Mr. Carson, on behalf of the C.P.R., claims that B.T.C. under the Railway Act, has the authority to control the accounting procedure of the railways, and refers in particular to Section 126 and Section 33, Subsection (2).

13516 Mr. Carson states as follows:

"Now then, Section 126 requires the Directors to keep particular account of the monies and then to balance them up at the end of the year, which, of course, involves keeping them day by day so that one gets a balance at the end of the year and involves keeping an account, but the Section says that it is within the power of the Board to tell them the manner, to prescribe the manner in which they shall do these things because it says 'in the manner prescribed by the Board' looking at 33 (2) 'so far as is not inconsistent with this Act, any act, matter or thing which such company or person is or may be required to do under this Act, or the Special Act'. 126 requires us to keep the account of the monies that come in, all company monies. 33 says that the Board may prescribe the manner in which we are to do that very thing. Now then, it is perfectly idle, in my submission, for any suggestion to be made that the Board has not got that power today."

13529-30 Witness points out that there are many passenger trains in Western Canada which are run at a loss, but where applications have been made to have these operations discontinued, authority has been denied. Ceasing to run such passenger trains also causes bad public relations as far as the railway are concerned.

13535 Witness refers again to his statement with reference to the expenditure to be made by the Dominion Government for a trans-Canada highway, and points out that he feels it is unsound to provide such a highway for the operation of trans-continental trucking, unless some restriction is placed on the use of the highway, without providing in some measure for the payment by trucking companies of some proportion of the interest on the capital investment. Otherwise there would be no basis for fair competition between trucks and railways which must continue to pay interest on the investment in their railway rights of way.

13536 Witness contends that in Canada the railways are a long way short of raising railway rates to the point where the law of diminishing returns will apply. Generally speaking, it is the high rated traffic which the railways are losing to trucks.

13540 Witness thinks the remedy lies in taking off some of the wraps under which railways operate and giving them a free hand to compete with trucks. By wraps the witness refers to the rigid control of rates, the fact that a truck operator may alter his rates and may change or alter his transportation methods to suit the traffic that is offering, while on the other hand railways are bound to ask authority to alter their methods of operation, although the witness admits that they have a relatively free hand in meeting competitive rates.

13545 Witness does not think that the principle of appeal on questions of fact should be applied to administrative tribunals.

13546 Witness thinks system of examiners, such as I.C.C., have, would expedite the work of the B.T.C. Examiners for the I.C.C. are assigned to take the evidence in connection with all kinds of applications made to the I.C.C., and they travel about from place to place in the United States for this purpose. Having heard the evidence, the examiner then submits to the I.C.C. a report or recommendation as to the dispositionthatought to be made of the complaint. After the examiner's report is made the parties are given a fixed period of time in which to submit briefs and those go to a division of the I.C.C. consisting of two or three members who may adopt, reject, modify or vary the report of the examiner, and in turn make an Order that they think appropriate. In some cases there is an opportunity to have that reviewed by the full Commission, but that is not usually done except in important cases.

13550 Dr. Innis questions the machinery by which it would be possible for the railways to get a consistent and rapid adjustment of freight rates if business went up or into a depression. Mr. Evans, on behalf of the C.P.R., suggests that if you took away the invitation to bring political pressure on the Board through the appeal to the Governor-in-Council, that you would find a change in the attitude of the B.T.C. and a great deal less delay in dealing with applications for increase in freight rates.

13551 Dr. Innis suggests that as long as there are large scale increases there will be political pressure, and queries whether you can reduce the extent of the large scale increases or make them in some way more gradual, if that would not result in less likelihood of the political pressure boiling up.

13557 Mr. Evans for the C.P.R. points out that he thinks it is bad for the provinces or for labour to have access to the Cabinet. He thinks that wages are a matter of bargaining between the employer and employees, and that Government intervention in one is just as bad as it is in the other.

13559 C.P.R. want Section 62, Subsection 1 of the Railway Act deleted entirely.

13579 Witness thinks that a measure of contron can be preserved both by the I.C.C. and by the B.T.C. which would prevent the railways from abusing their position. Does not suggest that railway regulations should cease in Canada, but rather that under which the railways operate should be relaxed.

13598 Mr. Walker is asked to comment on Sir Edward Beatty's statement in favour of unification, and points out unification is not amalgamation, and that further the situation is changed to considerable extent from the time of Sir Edward Beatty. For example, the Second World War and extraordinary advances in industry and in the economic life of Canada following that war.

13609 Withess suggests that in order to control shipping properly, all that is necessary is for the provinces to surrender to the Dominion their control over the highway carrier, as a carrier, not with respect to the use of their highway or safety regulations or things of that kind, but merely to transfer jurisdiction from the province to the Dominion in respect of his function as a carrier.

13612 Witness points out that all C.P.R. is suggesting is that the existing conditions of competition between railways and trucks are not fair and reasonable.

13613 Witness's view is that the burden borne by the trucking industry in relation both to the cost of construction and the cost of maintenance of highways they use, is utterly disproportionate to the relative cost borne by the railways with respect to the construction and operation of the railways.

13617 Witness thinks the crux of the problem from the point of view of the railways in Canada to-day is the inability to obtain proper rate levels in view of the rising costs of labour and material.

Witness does not think that any amendment to the Railway Act is necessary to ensure that this situation be corrected, unless it should be decided as a matter of parliamentary policy that a basis of rate of return on investment value should be adopted rather than this somewhat loose phraseology of "just and reasonable rates".

13620 Mr. Walker is not prepared to recommend an appropriate phrase to substitute for the words "just and reasonable".

13621 Witness agrees that the decision by the railways as to whether to apply for a horizontal percentage increase in rates is a matter of policy for the management to decide.

13627-28 Reference is made to the Duncan Report, Page 23, which states as follows:

"The President of the Canadian National Railways system agreed that it was part of his function, as head of the railway system he was administering, to make a survey of the natural basic products of the country, and to try within broad limits to adjust his rate structure so as to give the fullest chance of development to all natural products in whatever region of his system they are located. He likewise regarded it as his function to make a survey of the industrial possibilities of the whole territory covered by his system, to see whether industries placed at a distance from a central market, particularly when they were capable of development which might ultimately render them either directly or through associated enterprise, remunerative to the railway, were given a reasonable chance of finding their market."

Witness says he has no criticism of this point of view so long as it is not carried to the point of producing an artificial situation in which the railways are performing unnecessary transportation functions. In the case of the C.P.R. they have an industrial commissioner with subordinates across Canada, whose sole function is to develop every sort of industrial opportunity with a view to providing traffic for their rails.

13630 Witness points out that the railways' ambition is to keep freight rates as low as possible and in doing so to move the maximum amount of traffic and give the greatest possible encouragement to industry.

13636 Mr. Walker repeats his view that the Canadian Pacific cannot continue to be a free enterprise if it is to be used as a national instrument.

13637 In maintaining the credit of the C.P.R. Mr. Walker suggests that it is implied that this involves the payment of reasonable dividends on its ordinary stock.

Witness suggests that if present costs of operation are likely to continue indefinitely, C.P.R. would have to earn about 7% to restore its stock to marketable value. This does not mean a yield of 7% to the shareholder, because the real value, the money value of the C.P.R. common stock, is about $31.00, not $25.00.

13638 The C.P.R. does not look for any guarantee against financial risk, but with the economy of the country at its highest level in its history, the C.P.R. thinks it unfair that they should be unable to earn any dividends at all on their common stock in their railway enterprise. Suggests that in good times they should be able to pay that, and freight rates should be set to make this possible.

13639 Witness agrees that the C.P.R. is suggesting that this Commission should recommend that in future a rate base should be determined, and that this should be done by some bodies such as the B.T.C. and that body should also determine the rate of return on that rate base, but not with reference to the payment of any specific dividend on its stock.

13639A Witness points out that the C.P.R. is as anxious as anyone else to see territorial differences eliminated, but he does not think that it follows that if you adopt the principle of fair return you are going to eliminate any question of territorial grievances.

Witness agrees that once a rate base and a rate of return have been established, that it would make it easier in future rate applications, that is applications for horizontal increases or reductions.

13639B Suggests that if the C.P.R. is able to get a return of 7% the value of the stock would increase, and it would be possible for the C.P.R. to finance from the sale of their common stock a portion of their requirements.

13639C Mr. Walker thinks a large part of the C.P.R. stock would be taken up in Canada if it were selling at a premium so as to induce any investor anywhere to buy it.

13639D Witness points out that C.P.R. does not have any difficulty in raising $15,000,000 or $20,000,000 itself when they need it on securities of equipment trusts in Canada.

13640 Refers to large capital expenditures which will have to be made over the next five year period, and discusses possibilities of raising necessary moneys by issue of long-term bonds. Mr. Walker does not anticipate any difficulty in selling long-term bonds in Canada in reasonable amounts, but points out that if they start to finance the programme outlined in their submission, they would very soon dry up the market not only in Canada but in the United States, because their credit would not stand it. He points out that you cannot go on selling bonds indefinitely unless you are in a position of earning two or three times your fixed charges. The C.P.R. is not in that position to-day.

13643 Refers to labour problems under the Industrial Disputes Investigation Act, and points out that one thing that has been lacking is that no one representing the public interest is ever heard. Mr. Walker refers to a case which took place during the war before the National War Labour Board when a well-qualified gentleman appeared before the Board and they refused to hear him, and he appeared solely in the public interest to illustrate what the effect of this increase would be on the general economy, and particularly on the transportation problem.

13644 Mr. Walker does not think anyone should be appointed to represent the public, but does not see any reason why anyone who expects to be affected by a wage increase should not be heard. He does not see why the provinces, which protest against the freight rate increases necessitated by these wage increases, should not be active in taking an interest in determining the rates of wages.

13645 Reference is made to abandonment of lines, and witness points out that when they have been refused leave to abandon a service it is because the B.T.C. felt that the saving involved too great a sacrifice of the public interest. The B.T.C. appears to have recognized that some services do not pay but nevertheless the public must be served.

13646 Does not suggest abandoning hotel operations and in any event points out that this is a matter for the judgment of management. It has no bearing whatever on the railway situation because if the C.P.R. lose money in hotels or any other operation outside their railway operations, the losses are borne by the shareholders. If the C.P.R. thought that a particular hotel was losing money, and had no prospect of making money, that operation would be abandoned.

13649 For the period 1904 to December of 1948, there were 54 appeals through the B.T.C. to the Governor-in-Council, 27 of which had been dismissed, 12 referred back, 2 withdrawn, 5 abandoned and 3 allowed, and 5 on which there was no ruling.

13650 Mr. Walker suggests that there may be an inaccuracy in referring to the procedure as an "appeal" and points out that the section in the Railway Act refers to a petition - "the Governor-in-Council on his own motion or on petition".

13662 Witness suggests that the actual revision of the capital structure of the C.N.R. should not be undertaken until a proper level of railway rates is established.

Mr. Walker points out that in recent years the C.P.R. has not given any consideration to the question of unification of the railroads.

13665 Witness does not think B.T.C. has any more right to control C.P.R. standards than they have to direct the C.P.R. to put on streamline trains, but he does think they have a right to regulate the C.P.R. in the discharge of their duty to maintain suitable and sufficient facilities for the carriage of the traffic on the railway, whether it is passenger or freight.

13667 C.P.R. submits that no amendment is necessary to the Railway Act of Canada to apply the principle of fixing general rate levels on the basis of a fair return on the investment in railway property used in transporting service. The determination of investment in such property and of the rate of return are matters which should properly be left to the B.T. C.

Vol 66

13672 <u>Witness, Mr. N.R. Crump for the C.P.R.</u>

13678-79 Refers to wage negotiations which resulted in 17¢ an hour increase.

13683-84 With reference to branch lines, the C.P.R. contend that the continued operation of many of them is justified only because they act as feeders to the higher density main lines.

Refers to quotation in C.P.R. application as follows:

"Notwithstanding the general upward trend of wage and material costs, the average revenue received by Canadian Pacific for hauling one ton of freight one mile was 1.2¢ in 1885 and 1.13¢ in 1948."

"In terms of real purchasing power the cost to the shipper to-day is less than half that of 1885.... This reduction in rail transportation costs was achieved not only as a result of increased traffic

volume but also as a result of a more efficient use by Canadian Pacific of its plant and equipment. The increase in efficiency has been possible because heavy capital expenditures have been made by the Company."

13685 Over a fifty-year period the facilities of the railway as measured by miles of road and number of locomotives were expanded from 2½ to 3 times, tractive effort of locomotives increased sevenfold and the freight traffic handled increased twelve-fold.

13687 Net railway earnings have been insufficient either to provide the funds required for re-investment in the property or to attract the necessary amount of new capital to the enterprise.

13689 Reference is made to evidence in the 20% Case where Mr. Newman and Mr. Crump gave evidence referring to capital expenditures for roadway property and equipment averaging some $75,000,000 annually during a five-year period.

13690-91 Reference is made to C.P.R. submission dealing with replacement of worn out facilities where it is stated -

"Under normal conditions annual depreciation accruals should provide for the replacement of worn out depreciable property such as rolling stock, bridges, buildings and the like." Due to change in price levels, however, additional funds are required to bridge the gap between the cost of new property and the original cost of the old property on which depreciation has been accrued, in order to maintain a property of unchanged capacity.

With respect to improvements in service, the importance of modernizing existing facilities and securing new tools is emphasized.

With regard to economy in operation, C.P.R. has been employing new materials and methods wherever possible, and obtaining the benefit of technological improvements. The continuation of this policy, however, will entail the expenditure of a substantial amount of capital funds.

In addition there must be a certain amount of expansion to meet growing national requirements. The long term trand indicates that the normal volume of freight traffic handled by the C.P.R. averages 1,500 revenue ton miles per person per year. With an increase of approximately 300,000 persons annually in the population, this would mean a potential annual traffic growth of 450,000,000 revenue freight ton miles. This would not necessarily mean an increase in the existing traffic. It does mean, however, that the normal average volume of traffic will increase with the population and the railway plant and equipment must likewise have increased capacity.

13692 Refers to need of railways to acquire diesel locomotives and compares efficiency of steam yard engines which can work a minimum of 16 hours a day, whereas a diesel can work 24 hours a day and seven days a week, and only required 16 hours a month for servicing and inspection.

13595 Vancouver Island is now entirely dieselized, also the line between Montreal and Wells River, Vermont.

13594 The Schreiber Division on the north shore Lake Superior will be dieselized some time in the fall of 1950, as far as freight operation is concerned.

13597 Refers to new equipment in the nature of enclosed hopper cars - also heavier box cars, larger flat cars, etc. Also new signal installations.

13699 Points out that installation of new signal equipment increases capacity of lines. Centralized Traffic Control.

13711 Reference is made to the evidence given in the 20 Percent Case, Mr. L.B. Unwin with reference to the improvement program which would require $90,000,000 of financing per year to cover the new program and maturing obligations. It was his opinion that this amount should be financed to the extent of at least 80% by issues of ordinary capital stock.

13713-14 Mr. Crump points out that the capital improvement program over the next five years would not result in sufficient gross operating savings less interest and amortization on the capital expenditures to cover the additional charges to operating expenses. However, in the sixth year and thereafter, the operating savings attributable to the first five-year program after deduction of interest and additional depreciation accruals, would be in excess of $11,000,000 per year.

13716 Reference is made to Section 232 of the Railway Act with reference to the Railway Grade Crossing Fund. This section as amended is contained on Pages 13719 to 13722.

13726 Refers to the fact that no province has ever taken advantage of the opportunity to expedite grade crossing protection within its boundaries by contribution to the Fund.

Figures are also given to indicate the cost of various grade separation projects running from the average of $300,000.00 to as high as $700,000.00 per project. Also the cost of installation of automatic protection at grade crossings averages in the vicinity of $6,000.

13784 Urban crossings at present unprotected by automatic devices total some 1,397. Rural crossings unprotected total 10,858. At the average cost of installation of automatic protection of $6,000. this would work out at something like $73,500,000.

13710 Mr. Crump suggests that the additional hazards of grade crossings cannot be said to be attributable to the railways but rather to the increase in number of automobiles.

13723 For this reason he suggests that the provinces should in large part assume the burden of increased crossing protection.

13738 Mr. Crump says that the over-all efficiency of the steam locomotive has been calculated somewhere between 5% and 6% whereas the over-all efficiency of the diesel locomotive is calculated at 27% to 28%.

13830 C.P.R. feels that unless freight rates are increased, there is a possibility or probability that they will not be able to proceed with the program of improvements.

Following the wage increase granted in July, 1948, it was the opinion of the C.P.R. management that they needed a 20% increase in freight rates.

13832 Mr. Crump points out that the realtionship between freight-loaded and empty, is important. He refers to the fact that every fall they are faced with the prospect of moving a tremendous number of the empties into the West to handle the grain crop. They also have to move empties west to handle Alberta coal and consequently their empty mileage is high. In 1948 the ratio of empties to loaded mileage was 30.4; in October, 1949, it was 32.7, and in January to October, 1949, it was 32.1. They constantly try to decrease the empty car mileage as much as possible.

13835 New kinds of equipment such as hopper cars, refrigerator cars and that sort do tend to decrease the empty car mileage ratio, due to greater utilization. For example, the covered hopper car where they can handle cement one way and grain another.

13836 The development of these new types of equipment tends to increase the empty car mileage on highly specialized cars.

Mr. Crump points out that it is harder to pull a full tonnage train of empties than it is a full tonnage train of loads, because the resistance is greater.

Vol 67

13837 Mr. Shepard on behalf of the Province of Manitoba, files a supplementary statement.

Refers to Manitoba Municipal and Public Utility Act provisions as to appeal. The only appeal permitted by the Act is an appeal to Manitoba Court of Appeal on questions of jurisdiction, law and fact. There is no appeal to the Provincial Cabinet such as recommended by the Manitoba Government in its submission before this Commission with respect to appeals from the B.T.C.

13838-39 Manitoba feels B.T.C. should exercise more fully than it has in the past its wide powers under the Railway Act, and that its staff should maintain a constant review and supervision over the rate structure and the standard of service (i.e. expenses) of the railways.

The railway transportation in Canada is too vital a factor in the national economy to be regulated only by an independent tribunal such as the B.T.C. without the ultimate responsibility for such regulation resting with the Dominion Parliament and the Dominion Government. Manitoba's position is that the control by Parliament is somewhat less than what is desirable and that the Dominion Government should have power to direct the B.T.C., if occasion should arise in order to ensure that the attitude and actions of the Board are not inconsistent with the Dominion Government's view as to what is in the best interests of Canada from the standpoint of national economic policy.

Submits B.T.C. should be strnegthened so that it is better able to formulate and administer national railway transportation policy but the Dominion Government should be empowered to direct the Board in any case where it may consider it necessary to do so in the interests of national economic policy. The power suggested to be vested in the Dominion Government to direct the B.T.C. would be limited as follows:

(1) Direction could not be inconsistent with the Railway Act.
(2) Direction should be on policy matters only.
(3) Government control over the disposition of any particular issue properly before the Board to be that suggested by Manitoba as an amendment to Section 52(1) of the Railway Act.

13842 Refers to provisions of Aeronautics Act where Ministerial control over Air Transport Board is exercised.

13845-46 Contain Manitoba's suggested amendment to the Railway Act and deal particularly with the following sections:- 33,36,38,52 (1).

13847 The Chairman points out to Mr. Shepard that the Commission would want some amplification and definition of what is meant by the word "policy" as contained in the supplementary statement submitted by Manitoba.

13854,55,56 Statement by Mr. Hume on behalf of the Canadian Automotive Transportation Association dealing with the procedure of goods entering Canada from the United States by truck and being handled through customs. Points out that at certain times and under certain conditions there is a severe congestion of trucks at border points due to present procedure. Suggests this can be improved by allowing shipment of goods in bond to warehouses rather than clearing everything at border point.

13856 Submission of C.P.R. resumed. Witness Mr. C. E. Jefferson.

13858 C.P.R. believes present system of establishing and controlling freight rates tends to produce transportation charges which encourage the development of Canada along sound economic lines, and compensate for geographic disadvantages as far as it would be safe to endeavour to accomplish this by means of the freight rate structure.

13860 Points out that in the United States the great volume of internal trade moves east and west as in Canada, and also points out that present freight rate system of Canada provides, for the great bulk of the movement of goods, freight rates which are lower, not higher, than those charged in the United States for similar movements over similar distances. Also suggests that the economic union of Canada with the United States, bringing with it a freight rate system such as now exists in the United States, would greatly increase, not decrease, the burden of transportation charges on the producers and consumers of Canada and the bulk of the traffic would continue to move as long distances as at present.

Thinks that if anything the railways have erred in making transportation charges lower than was necessary for the economic development of Canada.

13861 Gives examples of rates which should be increased to be more in keeping with the value of the service rendered - settlers' effects, livestock, fuel wood, livestock for exhibitions.

13869 C.P.R. submits that the economic history of Canada does not support the theory that the freight rates have been responsible for inhibiting the normal development of the nation. In this ~~comparison of freight rates in Canada with~~ connection, they draw particular attention to the comparison of freight rates in Canada with those in the United States.

Freight rates on motor cars from Windsor to prairie points are cheaper than those from Detroit to similar points south of the border. The same is true of agricultural machinery, and also lumber which moves from British Columbia to central Canada more cheaply than does lumber from the United States Pacific coast to the industrial areas of the eastern and central United States.

13876 Submits that a comparison of many freight rates in Canada which move large volumes of traffic, with freight rates in the United States on similar movements, will demonstrate the lower level of rates applicable to Canadian shippers.

13878-79 Refers to the rate on agricultural implements. This was originally on the sixth class basis. In the 1920s the rate was reduced by the railways at the request of the Government to a basis which would enable the eastern producers of agricultural implements to compete with the Chicago producers in western Canada. The recent case involved an attempt by the railways independently of the 21% increase to restore the rate on agricultural implements to the original sixth class basis. It was that restoration to the sixth class that was suspended by the B.T.C. and about which the recent argument took place.

13888 C.P.R. opposed to the extension to other parts of Canada of M.F.R.A. Such legislation imposes rigidities upon the freight rate structure leading to sectional strife and to litigation, in his opinion. Does not propose repeal of M.F.R.A. but does not think there should be extension of same.

13889-90-91 Mr. Jefferson points out there has not been uniformity in the claims put forward by the Maritime provinces and the Maritime Board of Trade with regard to the requests for extension of the M.F.R.A.

13892 C.P.R. is of the opinion that the extension of subsidies similar to the M.F.R.A. is neither desirable or necessary.

13898 Mr. Jefferson deals with suggestion that M.F.R.A. should apply to international traffic and gives his reasons for opposing this suggestion.

13908 C.P.R. submits that the principles of rate-making at present laid down in the Railway Act and in the decisions of the B.T.C. are sound and in the public interest and do not require any substantial amendment.

13909 Cites provisions of Railway Act with reference to "just and reasonable" provisions as to rates.

13912 Mr. Jefferson thinks the cost of service principle is unsound and impracticable; it would deter the progress of the country as well as industry and the railways; it would be a backward step.

The foundation of the railways' freight classification and commodity tariffs are the same, namely, they are founded on the value of service rather than the cost of service principle.

13913-16 Mr. Jefferson indicates by examples how the railways make rates, for example, special commodity rates.

In making tests as to whether revenues from certain traffic movements can be considered satisfactory, many factors must be considered, among them being revenue per ton mile, revenue per car mile, length of haul, average loading per car, revenue per car, the direction of the flow of traffic, and the density of the traffic on the line over which the traffic has to move.

13919 Refers to Section 314 of the Railway Act and a judgment with respect thereto in the case of Dominion Sugar Company Limited. Judgment contained in Volume 17, J.O.R. & R., page 561.

At 564 - quote

"Even with regard to rates on the same line of railway, a difference in rates on different parts of the line does not necessarily constitute unjust discrimination and to carry the illustration further, there may be, without unjust discrimination, over the same portion of the same line, a difference in rates where the movements are in the opposite direction."

13921 Refers to the case of Canada West Coal Company, 27 C.R.C., page 313 - quote

"It is not unjust discrimination when two railway companies, operating to the same destination charge two different tolls for the carriage of commodities, even although the company having the shorter haul charges the higher toll."

Under subsection 5 of Section 314 dealing with the long and short haul discrimination, there can be no question but that the same line or route means the same line or route of the carrier involved.

Coyne on Railway Law at page 412 states as follows:

"The long and short haul provision of section 329 subsection 3 applies to movements over one line of railway, movements over a route includingmmore than one railway are governed by Section 314, subsection 5."

13922 Points out the distinction between the word "line" and the word "route".

Under Section 314, subsection 5, that case would seem to have decided that if one or more railways are engaged in through movement, then the long and short haul provision would apply to the through route; but where it involved a route on one or more railways, that variation of the matter is worth pointing out.

13933 Mr. Jefferson deals with the subject of <u>competitive rates</u>.

As competitive rates are made with particular regard to the traffic on which they are to apply, they cannot be applied as maxima to intermediate points where similar competition does not exist.

13934 Transcontinental rates do not and should not apply to intermediate points, although in all cases the rate to the intermediate point should not and does not in any case exceed the sum of the competitive rate to the point beyond plus the rate on the return haul to the intermediate point.

C.P.R. submits that the principles governing competitive rates as provided in the Railway Act are sound and no amendments are necessary or desirable.

13935 C.P.R. submits that on the whole, competitive rates are on a compensatory basis.

13939 Points out that substantial costs are incurred in the handling of less than carload traffic as compared with carload traffic. The probability is, therefore, that if any competitive rates can be considered as too low to meet out-of-pocket costs incurred by the railway, they will be found in the competitive less than carload rates.

13940 Contends that it is clear that if the less than carload competitive rates prove in some cases to be non-compensatory when measured in terms of out-of-pocket costs, they must inevitably apply to traffic which is a very small proportion of the total traffic of the railways, since approximately 16% of the total traffic is competitive traffic, and a relatively small proportion of this 16% is represented by less than carload traffic.

13943 Mr. Jefferson points out that the average haul for traffic handled at motor truck and water competitive rates is 293.9 miles, and for the eastern region 298.7 miles, whereas revenue per car mile for the competitive rates is nearly double revenue per car mile for all other traffic in Eastern Canada.

The car mile revenue for the competitive traffic in Western Canada is approximately two and a half times the car mile revenue for all traffic in Western Canada, but the average haul for the competitive traffic is 197.9 miles as compared with 434.9 miles for the western region.

13961 Rates published by the railways to meet motor truck competition, with a few exceptions, are generally in effect throughout the year as the highways are to a large extent kept open during the entire year.

Following the increase of 15% in competitive rates in September, 1948, a survey was made of all competitive rates to determine what further adjustments could be made due to changing conditions. As a result of this survey many hundreds of these rates were found to be unnecessary to meet competition and were cancelled, allowing the normal rates to apply. In some cases there was no movement under such rates, and in other cases the competitive rates were approximately the same as the normal rates due to the additional 15% increase. Where competitive rates have remained unchanged, the C.P.R. has satisfied itself that not only would an increase in rate result in loss of traffic, but also that the rate as it stood was reasonably compensatory.

Vol 68

13996 Mr. Jefferson points out the pick-up and delivery rates for movement of less than carload traffic were first established in 1933 in the territory Toronto and west to Windsor, Ontario. In 1934 this service was established at points in Western Canada. In 1935, less than carload rates, including pick-up and delivery service, were published for application in the territory Windsor, Ontario, Sault Ste. Marie, Sudbury, and

east to Megantic for application within a radius of 375 miles from each shipping point.

14004 In 1937 the 375 mile radius was eliminated in connection with pick-up and delivery rates in the territory Windsor, Sault Ste. Marie, Sudbury and east to Megantic, and the rates were applied between all points in that area, regardless of distance.

In 1939 pick-up and delivery service was established at points in the Maritime Provinces.

14005 Reason for providing pick-up and delivery service was an endeavour to meet the rapid growth of motor truck competition during the period 1930 - 1939. The railways found they were losing more and more of what was the cream of the traffic to trucks, and the free pick-up and delivery service was an effort to meet this competition.

14009 At some places the pick-up and delivery service is performed by the Canadian Pacific Express Company, and the railway company pays the Express Company for that service. At other points, C.P.R. engages the services of an outside or independent contractor.

14010-54 Mr. Jefferson deals with the matter of agreed charge tariffs.

14013 Sets out the wording of the penalty clause contained in all agreed charges, providing what will happen if a shipper breaks his agreed charge agreement. The penalty clause reads as follows:

"Upon default on the part of the shipper the railway shall have the right to recover from the shipper for all merchandise shipped hereunder, the difference between the agreed charge and the charges based on the regular tariffs in effect at the time of shipment of such merchandise, and in addition thereto shall be entitled to liquidated damages at the rate of ten per cent of the agreed charge on all merchandise shipped otherwise than in accordance with the provisions hereof."

14040 C.P.R. policy is to make agreed charges for a year with a continuing clause carrying them on from year to year, subject to termination by either party after one year, on a certain notice.

14043 Witness points out that under provisions of the Act the railway is not supposed to make agreed charges where the movement of the traffic can be taken care of by the publication of a commodity tariff.

14050 Mr. Jefferson claims that agreed charges do not interfere with legitimate competition from other carriers. He states:-

"Because motor carriers, which are mainly the competitors, which the agreed charge is designed to meet, themselves originated the idea of contracts with individual shippers. I venture to say that the so-called contract carriers by truck are more numerous than the so-called common carriers by truck."

14051 The agreed charges did not receive the interim increase of 8% on October 11th, 1949, because agreed charges must be terminated by notice and then re-negotiated. This is presently being done. In some cases agreement has been reached between the parties that they will be subject to the 8% interim increase - in others agreement has been reached that they will not be subject to the increase.

14054-93 Mr. Jefferson deals with the subject of trans-continental rates.

14091 Mr. Jefferson does not believe that there is any injustice done to the public in applying lower rates between eastern Canada and British Columbia Pacific Coast ports than to and from intermediate points.

14092 Mr. Jefferson points out that transcontinental rates should be reasonably compensatory. He claims that the railways in meeting water competition are not giving to the public of British Columbia something which they cannot otherwise obtain. Insofar as intermediate points are concerned, however, he points out that there is not the same competition in serving the Alberta market as the B.C. market. The public of Alberta is paying normal rates in having their market served by manufacturers in the United Kingdom, Europe or other foreign countries by water through the Port of Vancouver and are required to pay the normal rate from Vancouver to the destination in Alberta. The further inland the goods are shipped from Vancouver, the higher the rate becomes.

14093 Mr. Covert outlines the proposed agenda for this Commission on reconvening January 30th, 1950.

14094 The question of time for filing submissions in respect of Crows Nest Pass rates is discussed and also the time for hearing these submissions.

14097 Mr. Covert tables an outline of suggested points to be covered by Counsel in argument.

14103-124 Mr. Jefferson deals with the subject of rates on Alberta coal.

1409Z1 The agreed charges did not receive the interim increase of 5% on October 11th, 1949, because agreed charges must be terminated by notice and then re-negotiated. This is presently being done. In some cases agreement has been reached between the parties that they will be subject to the 5% interim increase - in others agreement has been reached that they will not be subject to the increase.

1409Z4-95 Mr. Jefferson deals with the subject of trans-continental rates.

1409Z1 Mr. Jefferson does not believe that there is any injustice done to the public in applying lower rates between eastern Canada and British Columbia Pacific Coast ports than to and from intermediate points.

1409Z2 Mr. Jefferson points out that transcontinental rates should be reasonably compensatory. He claims that the railways in meeting water competition are not giving to the public of British Columbia something which they cannot otherwise obtain. Insofar as intermediate points are concerned, however, he points out that there is not the same competition in serving the Alberta market as the B.C. market. The public of Alberta is paying normal rates in having their market served by manufacturers in the United Kingdom, Europe or other foreign countries by water through the port of Vancouver and are required to pay the normal rate from Vancouver to the destination in Alberta. The further inland the goods are shipped from Vancouver, the higher the rate becomes.

1409Z3 Mr. Covert outlines the proposed agenda for this Commission on reconvening January 30th, 1950.

1409Z4 The question of time for filing submissions in respect of Crows Nest Pass rates is discussed and also the time for hearing these submissions.

1409Z7 Mr. Covert tables an outline of suggested points to be covered by Counsel in argument.

1410Z-124 Mr. Jefferson deals with the subject of rates on Alberta coal.